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SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director Amy Quesada, Commission Secretary
Phone: 415-274-0400; Fax 415-274-0412 Phone: 415-274-0406; Fax 415-274-0412

MEETING AGENDA

TUESDAY, MARCH 10, 2015
1:30 P.M. CLOSED SESSION
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL

03-09-15A07:15 RCVD

2. APPROVAL OF MINUTES – February 10, 2015

3. PUBLIC COMMENT ON EXECUTIVE SESSION

GOVERNMENT
DOCUMENTS DEPT

4. EXECUTIVE SESSION

MAR - 9 2015

A. Vote on whether to hold closed session.

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- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: Pier 31½ deck, Pier 31 and Pier 33 bulkheads, and a portion of Pier 31 shed
Person Negotiating: Port: John Doll, Project Manager
*Negotiating Parties: National Park Service: Frank Dean

Under Negotiations: Price Terms of Payment ☒ Both
The Port and the National Park Service are negotiating an agreement that would provide for the use of portions of Piers 31, 31½ and 33, known as Alcatraz Landing, as a long-term Alcatraz Island ferry embarkation site. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including price structure, financing mechanisms and other factors affecting the form, manner, and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, City and the people of the State of California.

- b. Property: Pier 38, located at Delancey Street and The Embarcadero
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development; John Doll, Project Manager
*Negotiating Parties: TMG Pier 38 Partners, LLC: Michael Covarrubias

Under Negotiations: Price Terms of Payment ☒ Both
The Port and TMG Pier 38 Partners, LLC ("TMG") are negotiating a lease for the Pier 38 Bulkhead Building Rehabilitation Project. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including price structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

- c. Property: A portion of AB 4110, lot 1, also known as 901 Illinois Street, near the intersection of Illinois and 20th Streets
Person Negotiating: Port: Brad Benson, Director of Special Projects
*Negotiating Parties: Forest City Development California, Inc.: Jack Sylvan

Under Negotiations: Price Terms of Payment ☒ Both
The Port and Forest City Development California, Inc. are negotiating a lease for the property known as 901 Illinois Street. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including price structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the

consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

(2) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTER (Discussion)

Discuss existing litigation matter pursuant to California Government Code Section 54956.9(a) and San Francisco Administrative Code Section 67.10(d):

- a. Neighbors to Preserve the Waterfront; Friends of Golden Gateway; and San Franciscans for Reasonable Growth v. City and County of San Francisco; Planning Department of the City and County of San Francisco; Port Commission of the City and County of San Francisco; Board of Supervisors of the City and County of San Francisco, et al.; Superior Court of California, County of San Francisco (Case No. CPF 12-512356), filed July 23, 2012.

Ferry Building Investors, LLC and Ferry Building Associates, LLC v. San Francisco Port Commission; City and County of San Francisco; Board of Supervisors of the City and County of San Francisco, et al.; Superior Court of California, County of San Francisco (Case No. CPF 12-512355), filed July 20, 2012. [

Defend Our Waterfront v. California State Lands Commission; City and County of San Francisco; Port Commission of the City and County of San Francisco, et al. (Case No. CGC-12-512509; Appeal No. A141696), filed September 25, 2012.


5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this



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meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

- A. Executive Director's Report
- Port Cruise Terminal Team – Winner of Public Managerial Excellence Awards – March 11, 2015 at 5:30 p.m., North Light Court, City Hall
 - Port of San Francisco Membership in World Free Zones Organization
 - MV Carnival Miracle Ship Repair Call – March 8-18, 2015 at Pier 70
 - 1915 Panama-Pacific International Exposition 100th Anniversary – February to December 2015
 - Commendation for Mauricio Rodriguez, Storekeeper, on his retirement
 - Commendation for Jay Ach, Regulatory & Environmental Affairs Manager, on his retirement
- B. Port Commissioners' Report - Without discussion, at this time Commissioners may make announcements regarding various matters of interest to the Commissioner(s).

10. MARITIME

- A. Informational presentation on Water Taxi Operations at the Port.
- B. Request authorization to advertise and issue a Request for Proposals (RFP) soliciting a developer and operator for a Bulk Export Maritime Terminal Operation at Pier 96. (Resolution No. 15-09)

11. FINANCE & ADMINISTRATION

- A. Informational presentation on the Port's Report on Contracting Activity for the First and Second Quarters of Fiscal Year 2014-15 (July 1, 2014 through December 31, 2014)
- B. Request authorization to award professional services contracts for implementation of the Port's Youth Employment Program to the San Francisco Conservation Corps in an amount not to exceed \$795,000 and to the Hunters Point Family in an amount not to exceed \$265,000, each with terms of two (2) years with an option to extend for two (2) years and a total combined amount not to exceed \$1,060,000. (Resolution No. 15-08)

12. PLANNING & DEVELOPMENT

- A. Informational presentation regarding the revised Forest City mixed-use development plan for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay, and proposal for a Pier 70 Special Use District
- B. Request approval of Lease No. L-15901 between the Port of San Francisco and FC Pier 70, LLC for approximately 43,040 square feet of paved industrial land near Illinois Street and 20th Street for (1) retail activities (such as a beer garden, food trucks, and food carts); and (2) a variety of cultural, educational and recreational activities, including special events which benefit the public for a term of up to four years. *(This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.)* (Resolution No. 15-10)

13. NEW BUSINESS

14. ADJOURNMENT

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

MARCH 24, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on revisions to the Port Building Code regarding all fences requiring Port building permits
2	Pier 38	Informational	Presentation of Lease No. L-15892 between the Port of San Francisco and TMG Pier 38 Partners, a California Limited Liability company for premise located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street with an initial term of 25 years plus two (2) five (5) year extension options granted at the sole discretion of the Port
3	Portwide	Action	Authorization to award contract for municipal financial advisory services
4	Pier 31	Action	Authorization to advertise for competitive bids for Construction Contract No. 2762, Pier 31 Building and Roof Repairs
5	Pier 70	Action	Approval of Lease No. L-15875 with BAE Systems San Francisco Ship Repair, Inc., a California corporation, located at Piers 68 and 70 and Seawall Lot 349 near 20th and Illinois Street, for approximately 14.4 acres of land improved with 19 buildings, 17.4 acres of submerged land and Port-owned Equipment, including Drydock #2, the Drydock Eureka and the Shoreside Power System (the "Shipyard"), for a term of 20 years with two (2) five (5) year extension options. (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code)

APRIL 14, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Action	Recommendations on the Waterfront Land Use Plan Review Report
2	Portwide	Action	Approval of revisions to the Port Building Code regarding all fences requiring Port building permits
3	Portwide	Action	Authorization to accept and expend 2014 Port Security Grant Funds
4	Portwide	Action	Authorization to issue Request for Proposals for parking lot operators for all/or portions of Port

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			surface parking lots
5	Portwide	Action	Approval of a Memorandum of Understanding with the Water Emergency Transportation Authority (WETA) regarding development of the Downtown Ferry Terminal Expansion Project and future operation and maintenance of WETA facilities along the San Francisco Waterfront
6	Pier 38	Action	Approval of Lease No. L-15892 between the Port of San Francisco and TMG Pier 38 Partners, a California Limited Liability company for premise located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street with an initial term of 25 years plus two (2) five (5) year extension options granted at the sole discretion of the Port

APRIL 28, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation by Bevan Dufty, Director of the Mayor's Office of HOPE, on the City's homeless issues
2	Pier 49	Action	Authorization to award Construction Contract No. 2772, Wharf J-1 (Pier 49) Under-Pier Sewer Replacement Project

MAY 12, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Update on the James R. Herman Cruise Terminal Activity

MAY 26, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Bayview Gateway	Informational	Presentation on the Bayview Gateway art project, and a proposed MOU between the Port and San Francisco Arts Commission for the use of Port property for the Bayview Gateway Art installation

JUNE 9, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. 2762, Pier 31 Building and Roof Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Piers 30-32	Informational	Presentation on Piers 30-32 regulatory context, site considerations and Public Trust consistent improvements
2	Portwide	Informational	Presentation on quality of Port's office space portfolio & required improvements
3	Pier 29	Informational	Presentation on Request for Proposals (RFP) for a Retail Leasing Opportunity at the Pier 29 Bulkhead Building, located at Chestnut Street and The Embarcadero
4	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
5	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
6	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
7	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
8	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
9	501 Cesar Chavez	Informational	Presentation regarding a Memorandum of Understanding Number M-15906 between the Port of San Francisco and the City of San Francisco's Department of Real Estate for a 42,833 square feet free standing office building and approximately 22,500 square feet associated parking area located 501 Cesar Chavez Street and approximately 20,000 square feet of paved land located at Massachusetts Street north of the Pier 80 gear and maintenance shed in the southern waterfront for the temporary relocation of the Department of Technology's Public Safety Division Operations for a term of 120 months
10	SWL 322-I	Action	Authorize Mayor's Office of Housing and Community Development to issue an RFP for a development of SWL 322-1

COMMUNICATIONS TO PORT COMMISSION
February 6 to March 6, 2015

- From Panama-Pacific International Exposition Committee, invitation to the Relighting of the Ferry Building Tower to commemorate the 100th Anniversary of the Expo
- From Jack Yip, Sinbad's Cook, regarding Sinbad's Restaurant
- From Daley Dunham, Port staff, regarding Revisions to Port's Ten-Year Capital Plan Fiscal Year 2016-2025
- From Tom Stinson, regarding Sinbad Restaurant's appeal to the Port Commission

MARCH / APRIL 2015
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
March 24	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
April 14	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
April 28	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets at the last Wednesday of the month as needed from 6:00 to 8:00 p.m. Location to be determined. Contact Kanya Dorland @ 274-0264 or kanya.dorland@sfport.com and/or David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Disability Accommodations:

To request assistive listening devices, sign language interpreters, readers, large print agendas or other accommodations, please contact Wendy Proctor, Port's ADA Coordinator at (415) 274-0592 or via email at wendy.proctor@sfport.com or Amy Quesada, Commission Secretary, at (415) 274-0405 or via email at amy.quesada@sfport.com at least 72 hours in advance of the hearing. The Port's TTY number is (415) 274-0587.

Language Assistance

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NOTICES

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code)

or to report a violation of the ordinance, contact Chris Ruston by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at soff@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Ruston or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.



MEMORANDUM

March 6, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Informational Presentation on Water Taxi Operations at the Port

DIRECTOR'S RECOMMENDATION: Informational Only

EXECUTIVE SUMMARY

In 2012 the Port completed a Request for Qualifications (RFQ) process that led to the selection of the two current water taxi operators, Tideline Marine Group and San Francisco Water Taxi. Both companies are now operating, Tideline Marine since October 2012 and San Francisco Water Taxi since March 2014. Staff made an informational presentation to the Port Commission on August 12, 2014 reviewing how Port staff had been working with the operators to provide ongoing support as they sought to start up and grow their respective businesses and as the Port sought to expand this maritime use of its property. In that meeting, it was proposed by the Port Commission that both operators report back on their existing status and future plans at some point in the future after a little more operating experience had been gained.

Now with each operator having at least one full year's experience, both operators are here to fulfill that request.

BACKGROUND

After completion of the original RFQ process, the Port Commission approved the selection of two operators that provided two different services, and directed staff to negotiate and finalize landing rights agreements for each operator covering the same three Port locations: The Hyde Street Harbor Marina; Pier 1½; and South Beach Marina/Pier 40.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

As a result, San Francisco Water Taxi and the Port entered into a five year agreement for a "Regular Route Water Taxi Service", while Tideline Marine Group and the Port entered into an agreement for an "On-call or As Needed Water Taxi Service" between points in San Francisco and points in the North Bay and East Bay. On September 10, 2013, the Port Commission approved an extension of Tideline's agreement from five years to ten years, as well as an expansion of permitted uses, none of which affected the route or service.

These are the highlights of the past year (2014):

San Francisco Water Taxi

- Launched their first scheduled service boat (17 passenger capacity), *'Lil Taxi*, on March 15, 2014
- Generated Total Rent Revenues to the Port of \$2,189.25
- Served 7,988 Passengers
- Operated on 170 days of the year

Additionally they began sea trials on a second, higher speed vessel (6 passenger capacity) on February 25, 2015 that is scheduled to come into service in April, 2015.

Tideline Marine Group

- Launched their second and larger boat (41 passenger capacity), *Osprey*, on October 8, 2014
- Generated Total Rent Revenues to the Port of \$8,664.04
- Served 1,157 Passengers
- Operated on 178 days of the year

Signage

Port staff completed all three facets of the Water Taxi Signage Program through the year, and all pieces have been fabricated and installed. These include:

1. Fabric Location Banners hung at five locations on the Embarcadero
2. Reflective metallic Way-finding arrow signs installed at four locations among the properties at Hyde Street Harbor, Pier 1½, and Pier 40
3. Reflective metallic informational signage that posts the types of service offered, installed on the gates at each of the three water taxi landings

CONCLUSION

Port staff looks forward to assisting the water taxi operators and fostering the growth of water taxi service as a viable transit mode. Port staff will continue working on opportunities for new water taxi docking locations along the Port's shoreline, such as the work that Port staff is undertaking with the Exploratorium to develop and design a water taxi landing float that the Port will maintain and control. This is projected to be operational by fall of 2015.

Both San Francisco Water Taxi and Tideline Marine have prepared presentations that will define and describe their current operations, as well as project a future vision of their plans for growth and development. They look forward to informing the Port Commission and the public of their experiences and expectations.

Prepared by: Gerry Roybal, Maritime Marketing Manager

For: Peter Dailey, Deputy Director, Maritime



MEMORANDUM

March 5, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request authorization to advertise and issue a Request for Proposals (RFP) soliciting a developer and operator for a Bulk Export Maritime Terminal Operation at Pier 96

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

Port staff requests authorization from the Port Commission to advertise and issue a competitive solicitation for a maritime leasing and development opportunity on approximately thirty acres including 900 linear feet of berth space at Pier 96 to operate a bulk export maritime cargo terminal (see map, Attachment A). This opportunity most recently was discussed in an informational presentation on the southern waterfront to the Port Commission on September 23, 2014. In addition to land lease revenues, this project will provide wharfage, dockage and rail infrastructure revenues to the Port and utilize a maritime terminal that has been underutilized for several years. The Pier 96 site's deep-water berth, on-dock rail access and large land parcel offer a prime maritime opportunity for an export facility. Over the past several years there has been interest expressed in developing the site for this type of use.

The Opportunity

Pier 96 has previously been used as a container handling facility. Subsequent to the termination of this use in the late 1990s, parts of the Pier 94-96 container terminal have been leased for a dry bulk imports facility, a recycling facility, a Military Sealift Command layberth vessel, dredge material handling, construction material laydown, truck marshaling, and the SFPD driver's training facility.

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The Port has received multiple expressions of interest for bulk export uses for the Pier 96 site. Specifically, Port staff has been in discussions with several iron ore mining companies that are interested in shipping their product through a Port of San Francisco bulk export facility to take advantage of our available land for facility development, our 40-foot water depth at the Pier 96 berth, and our direct rail connection with Union Pacific Railroad. The opportunity is for the lease and development of a maritime cargo terminal site which currently has the following characteristics:

- Paved parcel of land approximately 30 acres in total
- Deep-water berth approximately 900 feet in length dredged to a depth of 40 feet
- On-dock rail access
- 4 container gantry cranes: two Hyundai cranes, which are operational but require recertification and reconditioning, and two Paceco cranes that are no longer operable
- Opportunity for additional non-exclusive berthing rights at adjacent Pier 94 (715-foot berth)

The Port will seek proposals specifically for bulk export maritime cargo uses in order to take advantage of current market opportunities to the Port. Port staff is focusing on bulk exports over imports for several reasons. As noted, the market demand for new bulk export facilities on the West Coast is high for commodities such as iron ore. Also, export and import facilities are different in basic character and are generally designed for one-way traffic only, with different conveyance and ship loading and unloading infrastructure requirements. A focus on export commodities also will allow the Port to diversify its cargo mix, which is currently nearly all imports.

To study the feasibility of building a bulk terminal iron ore facility at Pier 96, Port staff commissioned an engineering and geotechnical analysis of the site with Ben C. Gerwick Inc., one of the Port's as-needed engineering contractors. The study concluded that it indeed is feasible to build such a bulk export facility dedicated to handling iron ore and provided cost estimates for the various facility components including materials handling infrastructure, storage shed, site work, pier repairs and contingencies. Port staff intends to provide this study as part of the RFP package to inform bidders on the geotechnical conditions of the site and one proposed example of a bulk facility that can be built at the site.

Competitive Bidding

Port staff recommends a competitive bidding process because of multiple expressions of market interest for developing a bulk export terminal facility at the site.

RFP for a Marine Terminal Site

For these reasons, Port staff seeks authorization from the Port Commission to advertise and issue a RFP for a bulk export maritime terminal facility at Pier 96.

Strategic Objectives

The proposed export project will achieve the following Port strategic objectives:

- Further the Port's maritime commerce mission
- Bring into full utilization a prime Port maritime property
- Take advantage of the property's unique characteristics, including water depth, rail connection and adequate land area to build a bulk export facility
- Generate revenues to the Port of San Francisco
- Create maritime jobs in the southern waterfront

RFP Objectives

The proposed maritime cargo terminal RFP has the following objectives:

- Further the Port's maritime commerce mission
- Secure a high quality bulk export maritime terminal facility operator.
- Provide employment and contracting opportunities for local residents and businesses.
- Provide for the physical upgrades of the existing property including any necessary code upgrades and environmental requirements.
- Maximize Port revenue from the site.
- Provide a project consistent with the policies, standards and design criteria in the Waterfront Land Use Plan (the "Waterfront Plan").
- Provide perimeter improvements to mitigate any impacts of the operation as applicable.
- Activate the property to productive cargo use.

Marketing

Port staff will advertise the RFP opportunity in newspapers and trade publications used for this purpose by the Port's Maritime Division, and via direct communication with terminal and cargo operating companies in the United States.

Climate Adaptation and Action

To adapt the facility against the negative impacts of climate change including sea level rise, the Operator will be required to design the facility to mitigate against potential future flooding. Operators will also be asked to consider investing in climate-sensitive operating equipment at the facility that utilize clean and renewable energy, and also consider installing solar panels that could provide clean energy to supply the facility's electrical needs.

Proposed Port Revenues and Key Lease Terms

Subject to Port Commission approval and upon successful completion of negotiations with the selected Respondent, the Port anticipates entering into a lease for the Site.

The following are Key Lease Terms described in the proposed RFP. In their submittals, Respondents will be required to indicate acceptance of these Key Lease Terms, and to make a lease proposal that is consistent with these Key Lease Terms. The actual terms of the Lease will be negotiated with Port staff and subject to approval by the Port Commission.

Use

Proposals must include a full description of proposed uses, such as: detailed description of facility use, anticipated commodities (i.e., iron ore) to be handled, means of transport to the facility, ship loading methods at the facility, handling, value-added processes, storage requirements, anticipated throughput volumes, anticipated employment of labor, and anticipated hours of operation. Following selection and prior to beginning operations, the Operator must submit an Operations Plan, subject to Port approval, that provides detailed description of its maritime cargo handling activities and equipment, materials acceptance and segregation protocols, air quality and dust control measures, water quality and storm water pollution prevention measures, noise control measures, hazardous materials and waste management, and other best management practices.

Proposals should include a maximum limit for storage of material on the premises at any one time. The Port envisions that Port and Respondent will negotiate a maximum limit for storage of materials.

The Port will impose Best Management Practices for dust control, storage of material and stormwater management from sources published by the State of California or its agencies.

Premises

The Site consists of approximately 30 acres of paved land and a 900-foot berth located at Pier 96 in the Southern Waterfront. The site has previously been used as a maritime container handling facility.

Subject to negotiation during the period of Exclusive Negotiations, the Port will require installation and maintenance of a stormwater management system to the premises and a program to maintain these swales, consistent with a Port approved Stormwater Pollution Prevention Plan.

Compliance with the Marine Transportation Security Act of 2002 (MTSA 2002)

Tenant will be responsible for a security threat assessment and authorship of a Facility Security Plan (FSP) for the facility, gaining U.S. Coast Guard authorization for said FSP and maintaining all staffing, fixtures and duties required to remain in compliance with the regulations of the MTSA 2002 and future amendments or revisions. Tenant shall be responsible for all penalties and remedies for non-compliance with the MTSA 2002.

Base Rent

Proposals should include a minimum base monthly rental rate per square foot with annual increases (provided that respondents demonstrate that the operation can support such rent payments). Tenants also will be subject to Port wharfage, dockage and rail infrastructure fees per the Port of San Francisco Tariff #5 and its future updates

and revisions.

Term

The Port staff will target an initial lease term of up to 10 years, but may consider a longer term if capital improvements done to the property warrant a longer term.

Sale/Transfer/Refinancing

The Port expects to participate in the proceeds that the Operator receives from the sale, transfer or refinancing of the leasehold.

Maintenance/Repairs

During the term of the lease, the Operator shall be responsible for all improvements, maintenance, repairs and operating expenses associated with the Site, including any non-exclusive areas such as access roads, utilities, general buffer areas, and fendering and mooring improvements.

Dredging

Port will be responsible for maintaining a minimum berth depth of 36 feet at MLLW.

Possessory Interest and Other Taxes

The Operator will be required to pay possessory interest taxes on the assessed value of the leasehold interest. The Operator also will be required to pay other applicable city taxes, including sales and payroll taxes.

Security Deposit

A security deposit will be required in an amount equal to no less than two month's Base Rent in the form of cash.

Insurance Requirements

The Operator will be required to maintain throughout the term of the lease insurance typical for the approved project in amounts and with limits determined appropriate by the Port and with carriers acceptable to the Port, including pollution legal liability insurance.

Depending on the financial capacity of the entity entering into lease with the Port, the Port may also require a guaranty from the parent company or other security guaranteeing the successful completion of the project.

"As-Is" Condition

The lease will require the Operator to accept the Site in its existing state and condition, "AS IS", with all faults.

Environmental Deposits

The lease likely will require two forms of environmental financial assurance designed to protect the Port from liability arising out of the operation:

1. Environmental Performance Guaranty in a form acceptable to the Port and in an

amount sufficient to compensate the Port for any damage it might incur as a result of the tenant's failure to perform its environmental obligations.

2. A \$10,000 Environmental Oversight Deposit which can be used by the Port if the Operator receives a Notice of Violation or regulatory order and such notice of violation cannot be cured, or such regulatory order cannot be complied with, within 14 calendar days after delivery of such notice and the Operator is not actively working to cure such notice of violation or comply with such regulatory order. Port may use, apply, or retain the Environmental Oversight Deposit in whole or in part to reimburse Port for administrative costs and expenses incurred while inspecting the premises and enforcing Operator's obligations under the lease.

Regulatory Requirements

The RFP will include information requiring that any selected respondent to the RFP will have full responsibility for complying with all applicable environmental and regulatory requirements, as administered by the Port in its regulatory capacity, or other regulatory agencies. This includes compliance with the California Environmental Quality Act (CEQA) to analyze and mitigate any adverse environmental impacts, which is administered by the San Francisco Planning Department. The land use proposal of a selected respondent to this RFP will be subject to CEQA review.

The regulatory review process also includes compliance with planning policies and/or permit requirements administered by the San Francisco Bay Conservation and Development Commission (BCDC). Pier 96 is included within BCDC's Seaport Plan, which is focused on designating facilities around San Francisco Bay for specified types of cargo maritime and port operations. Selected respondent proposal will be subject to review by BCDC for compliance with Seaport Plan and other BCDC planning policies, and permitting requirements.

Hazardous Materials

During the "due diligence" period, the Respondents may conduct environmental site assessments of the Site. The Port will make existing information about physical and environmental conditions available to Respondents.

Assignment/Sublease

The Port will have the right to approve any assignment, sublease or transfer of the lease, subject to any participation provisions, as described above under the heading "Sale/Transfer/Refinancing".

Form of Lease

The successful Respondent will be required to enter into a lease to be negotiated by the Port and Respondent during the period of exclusive negotiations. The lease will be consistent with the Port's standard leasing provisions of comparable projects.

City Requirements

The lease will require the Operator to comply with all City requirements in effect.

The Port Commission is interested in encouraging the participation of small, local business entities (LBEs) in this RFP opportunity. The Operator will be encouraged to consult with the Contract Monitoring Division to determine appropriate methods for promoting participation by certified LBEs for services such as Laboratory Services (Materials Testing), Trucking and Hauling, and Security Guard Services.

The Port also will require the Operator to pay prevailing wages in the construction of the project in accordance with prevailing wage and labor standards adopted by the San Francisco Board of Supervisors pursuant to San Francisco Administrative Code Section 6.22(E).

Diesel Fuel Measures

The Operator will use good faith efforts to use low-emission diesel fuel or alternative low-emission fuels for all petroleum hydrocarbon-powered equipment used on the Premises, and to explore emerging new technologies for reducing diesel particulate matter.

Local Truckers

As a material consideration for Port's agreement to enter into this lease, Operator agrees that, for all trucking opportunities associated with Operator's operations, including, without limitation, hauling of materials on and off the Site, Operator will make good faith efforts to first use local LBE Certified truckers.

Southern Waterfront Beautification Policy

The Port Commission has approved a "Policy for Southern Waterfront Community Benefits and Beautification" which identifies beautification and related projects in the Southern Waterfront that require funding. This policy requires the Port to set aside a portion of the monthly rents collected from leases issued on or after the effective date of November 15, 2007 for the lease or use of Port property in the Southern Waterfront. The policy holds the Operator to minimum standards for peaceful integration in the Southern Waterfront Community.

Performance Benchmarks

All documents governing the approval and development of the Site will contain time and performance benchmarks, including provisions for payment of liquidated damages, with termination for non-performance.

Iron Ore Facility

For several reasons this RFP package is focused expressly on the export of iron ore and similar non-fossil fuel based commodities. Without a nearby refinery infrastructure, such as exists in Richmond and its environs, the Port of San Francisco is poorly situated to handle fossil fuel materials such as crude oil, coal, or petroleum coke. Export terminal infrastructures are designed for specific commodities and those such as iron ore handling facilities are distinctly different from those handling hazardous fossil fuel materials. The latter introduce highly combustible dust and vapors that require specially engineered fire suppression and dust control, emergency response resources,

evacuation planning, and risks of release with potential effects on public health and the environment. By contrast, iron ore is benign. It is a heavy but non-volatile commodity which poses little risk to the environment, yet, itself requires protection from environmental moisture to prevent oxidation. The building structures, as well as the conveyance mechanisms, are therefore quite different and are not interchangeable. Therefore, the Port will not be considering proposals to handle coal, oil or petcoke at the Pier 96 terminal.

In addition to the added expense of designing a facility to accommodate coal and other fossil fuels, such a facility would be a risky investment due to: (i) the controversy and litigation over coal and coal export facilities along the entire supply chain throughout the US; (ii) potential delays in the commencement of operations due to a lengthy permitting/entitlement/CEQA process that a fossil fuel export facility could trigger; and (iii) State and local policies¹ on coal exports and climate change such as California Assembly Joint Resolution No. 35 "Relative to Exportation of Coal" and Assembly Bill 32, the California Global Warming Solutions Act. For these reasons, the CEQA environmental clearance contemplated for this project will focus on handling iron ore and other similar non-fossil fuel based commodities and the terminal operator agreement for the Pier 96 terminal will prohibit handling fossil-fuel based commodities such as coal, oil and petcoke.

Port staff acknowledges these concerns about bulk handling of hazardous fossil fuel materials and is requesting authorization for an RFP that is focused on iron ore and similar non-hazardous commodities and the development of infrastructure that is particular to such commodities.

Selection

Port staff will issue an RFP package consistent with standards and criteria established by the Port. The package will include an overview, a site map, a narrative description of the opportunity, Port project objectives, project approvals, lease parameters, selection process, selection criteria, and schedule and submittal requirements.

The submittals will be reviewed and evaluated by an advisory panel selected by Port staff consisting of up to five individuals with experience in maritime terminal operations, real estate economics, public works construction, and environmental regulatory compliance, with the assistance from City staff and/or independent consultants.

Proposals submitted to the Port will be analyzed to select the most qualified respondent. Selection criteria will include: the experience and reputation of the respondent, the quality of the lease concept, the financial viability of the proposal, the economic return to the Port and the respondent's demonstrated ability to finance, design and operate a bulk export maritime terminal at the proposed site. Upon Port Commission

¹ On October 7, 2014, the San Francisco Board of Supervisors unanimously adopted Resolution 140857 supporting and encouraging the Port of San Francisco and Department of the Environment in developing a policy to prohibit the transportation and export of hazardous fossil fuel materials including crude oil, coal, and petroleum coke in the City and County of San Francisco.

authorization, Port staff then will negotiate a lease with the selected respondent utilizing the Port's standard lease format. The earnest money deposits will be returned to the bidders not selected.

Exclusive Negotiations

As provided in the RFP, after evaluation and determination of the most qualified Respondents, Port staff may recommend that the Port Commission authorize staff to enter into an Exclusive Right to Negotiate (ERN) agreement with a single Respondent. Upon Port Commission authorization of exclusive negotiations, the selected Respondent must submit a \$10,000.00 non-refundable fee (inclusive of the Earnest Money Deposit already provided by the Respondent) for a three-month period of exclusive negotiations during which:

- A lease agreement and related documents for the lease and development of the Site in a final form approved by the San Francisco City Attorney will be negotiated, incorporating specific terms including, but not limited to, the Port's and lessee's responsibilities, the economic parameters, operational standards and lease requirements, and a performance schedule;
- The selected Respondent will complete its "due diligence" review of the Site, finalize financial projects, and complete preliminary development plans including, but not limited to floor plans, elevations, and renderings for the Site; and
- The selected Respondent will complete the project approval processes.

RFP Schedule

Port staff recommends a competitive solicitation schedule as follows:

Issue RFP	April 15, 2015
Pre-submittal conference & site tour for prospective bidders	April 23, 2015
Submittal deadline	June 5, 2015
Selection of bidder(s) for additional review	June 12, 2015
Presentation(s) by selected bidder(s)	June 19, 2015
Informational Presentation to Port Commission	July 14, 2015
Port Commission approval of selected bidder	August 11, 2015
Execution of ERN and lease negotiations	August, 2015
Port Commission approval of lease (est.)	November, 2015

Recommendation

Port staff recommends that the Port Commission authorize Port staff to advertise and issue a Request for Proposals for a Bulk Export Maritime Cargo Operating facility at Pier 96.

Prepared by: Jim Maloney, Maritime Marketing Manager

For: Peter Dailey, Deputy Director, Maritime

Appendix A – Map of Southern Waterfront

Appendix B – Site Plan

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-09

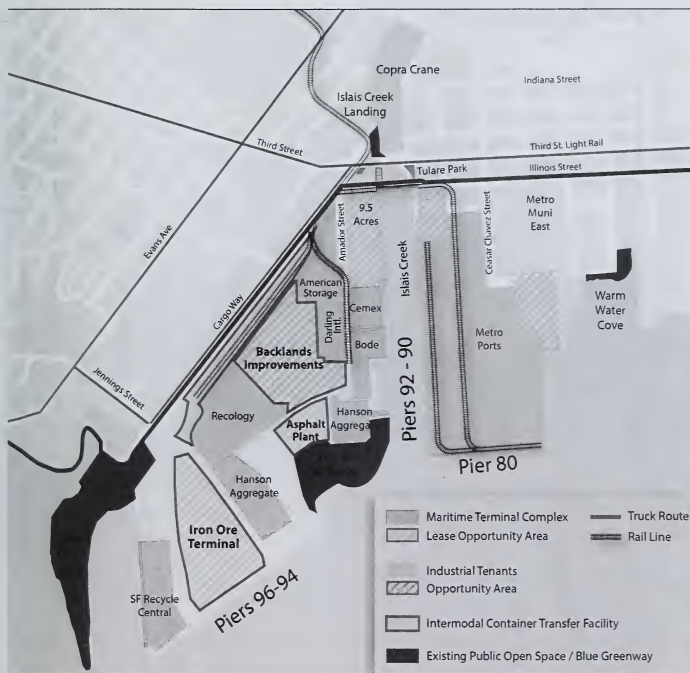
- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns an approximately 30 acre site at Pier 96, formerly used as a maritime container handling facility (the "Site"); and
- WHEREAS, Port staff anticipates strong demand for a leasing opportunity for a bulk export maritime terminal operating facility; and
- WHEREAS, The project will meet Port strategic objectives including furthering the Port's maritime commerce mission; bringing into full utilization a prime Port maritime property; taking advantage of the property's unique characteristics including water depth, rail connection and adequate land area to build a bulk export facility; generating revenues to the Port of San Francisco; and creating maritime jobs in the Southern Waterfront; and
- WHEREAS, City policy encourages competitive bidding for leasing opportunities unless impractical or infeasible; and
- WHEREAS, The Port Commission wishes to proceed with competitive bidding for a lease of the Site for these purposes; now therefore, be it
- RESOLVED, That the Port Commission authorizes staff to offer the opportunity for the lease and operation of a bulk export maritime terminal operating facility at the Site through a request for proposals (RFP) process consistent with industry standards with the terms set forth in the staff report for this Item 10B.

I hereby certify that the Port Commission at its meeting of March 10, 2015 adopted the foregoing Resolution.

Secretary

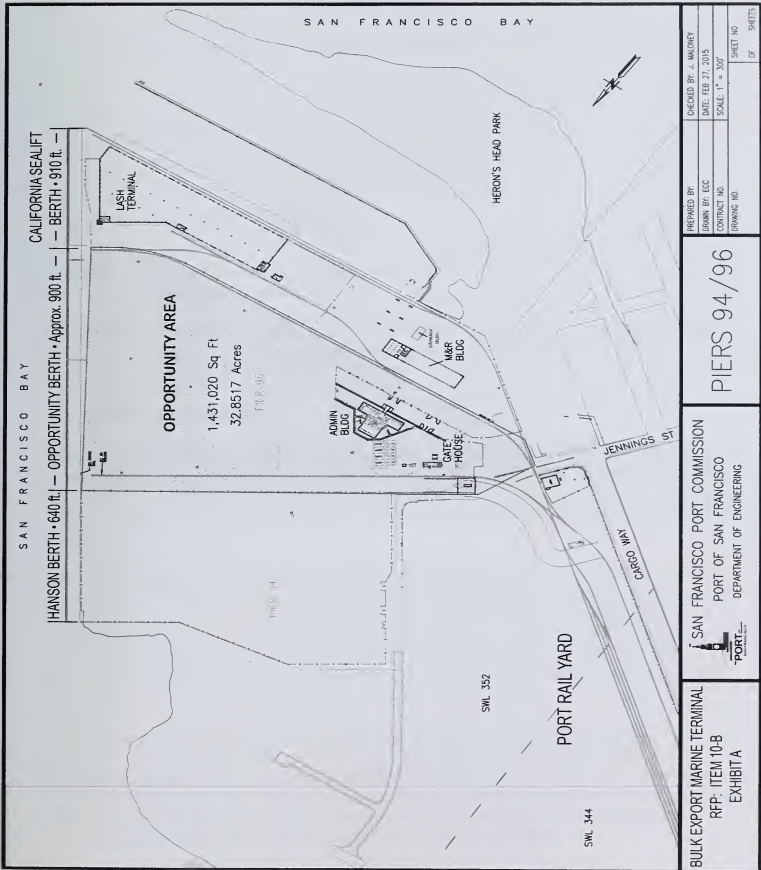
Appendix A

Map of Southern Waterfront Area - PIERS 80-96 Maritime and Eco-Industry Complex



Appendix B

Site Plan





MEMORANDUM

March 5, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Informational Item - The Port's Report on Contracting Activity for the First and Second Quarters of Fiscal Year 2014-15 (July 1, 2014 through December 31, 2014)

I. EXECUTIVE SUMMARY

This report provides the Port Commission with information on contracting activity for the first and second quarters of Fiscal Year (FY) 2014-15 (July 1, 2014 through December 31, 2014). It focuses on contracting activities for both professional services and construction contracts and provides an update on recent legislative activity at the City level.

A. **Total Value of New Contracts: \$7.1 million (6 contracts).** During the first half of FY 2014-15, the Port issued six new contracts including three construction contracts, one professional service, and two as-needed contracts with a cumulative value of \$7.1 million. Four out of the six (67%) contracts were awarded to LBEs ("Local Business Enterprise") in an aggregate amount of \$6.7 million (94%). This strong result continues the Port's positive trend of awarding a large percentage of contract dollars to small local businesses.

Five of the six contracts were awarded as "formal" contracts governed by Administrative Code Section 14B ("LBE Ordinance"), which include LBE subcontracting goals and local business bid preferences. The other contract was exempt from the LBE Ordinance due to federal funding requirements. During the first half of FY 2014-15, Port staff exceeded the Port Commission's informal policy requesting staff to direct 20% of contract awards to LBE firms.

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- B. Total Payments to Active and Open Port Contracts: \$7.7 million, including \$3.3 million (44%) to LBE primes and subcontractors. During the first half of FY 2014-15, Port contract payments totaled \$7.7 million. Of that amount, \$7.1 million (94%) was for contracts governed by the LBE Ordinance and \$3.2 million (45%) was paid to LBEs, including \$1.3 million (18%) to LBE subcontractors and \$1.9 million (27%) to LBE primes.

During the first half of FY 2014-15, Port staff exceeded the Port Commission's informal policy requesting staff to direct 20% of contract payments to LBEs. However, contract work is not performed uniformly each month as tasks occur at different times during the contract period. As a result, payment percentages may vary dramatically from one reporting period to another.

- C. All of the Port's 14 projects subject to the Local Hire Ordinance are meeting the requirements of providing work hours to San Francisco residents, including disadvantaged workers, and are providing apprentice opportunities.

II. BACKGROUND

The Port engages in a variety of contractual transactions that include: leases, developer agreements, construction contracts, general services contracts, and professional services contracts. This report specifically addresses the Port's use of professional services and construction contracts.

A. Compliance with Nondiscrimination Laws, Rules and Regulations: The Port must comply with federal, state, and local laws concerning nondiscrimination in contracting. Construction contracts, general services contracts, and professional services contracts are subject to the San Francisco Administrative Code Chapter 14B LBE subcontracting participation requirements. The LBE program applies only to City and County of San Francisco ("City") contracts which include Port contracts.

The LBE program was established to expand City contracting opportunities for small San Francisco based firms, which are defined based on gross receipts by type of industry. Adherence to Administrative Code Chapter 14B is overseen by the Contract Monitoring Division (CMD), a division of the City Administrator's office. CMD accepts and reviews applications and certifies qualifying local firms as LBEs. Once a business is certified as a LBE, it is also classified as a Minority Owned Enterprise ("LBE-MBE"), Woman Owned Enterprise ("LBE-WBE"), or Other Business Enterprise ("LBE-OBE"). When participating as a prime contractor or as part of a Joint Venture, LBEs receive bid discounts in the case of construction bids and bonuses in the case of professional service Requests for Proposals (RFP) and Requests for Qualifications (RFQ). For contract agreements that fall within Administrative Code Chapter 14B requirements, the CMD also reviews the scope of the project, the nature of the work compared to

available City-certified LBEs, and sets a required LBE subcontracting goal. CMD determines compliance with subcontracting goals at the time the contract is closed-out.¹

City contracts are exempt from the LBE program if 1) the contract value is less than an established threshold amount, currently \$50,000 for professional contracts and \$200,000 for construction contracts, 2) Federal law, as in the case of grant funds, prohibits the use of local preference, or 3) if a waiver is obtained from CMD, such as in the case of an emergency or sole source contract.

In soliciting bids and/or responses to requests for proposals/qualifications, Port staff engages a representative from CMD. The CMD representative reviews all of the circumstances and independently assigns an LBE sub-contracting goal, or waiver thereof. Port staff then uses best efforts to adhere to the CMD goal. If Port staff is unable to adhere to the goal, Port staff refers the problem to the CMD representative for assistance and a solution.

B. Use of Professional Services Contracts: Professional Services are those services which require the exercise of discretion and independent judgment in their performance, and/or the application of an advanced, specialized type of knowledge, expertise, or training. Examples of professional service providers include architects, engineers, and software developers. The City's Civil Service Commission must approve all Professional Services contracts. The Civil Service Commission determines whether City employees could perform the requested services and, if so, whether the Department can justifiably contract out the services. The Port contracts for professional services only when Port employees or other City employees cannot perform the work because of the limited nature of the work, peak workload obligations, lack of specific expertise, or other unusual circumstances such as mitigation of financial risk, funding or other legal requirements.

C. As-Needed Contracts: As-Needed contracts are Professional Services contracts which the Port uses for as-needed services, i.e., services that recur from time to time but are not consistent or predictable enough to justify full time staff. Currently the Port maintains as-needed services contracts for Engineering services, Real Estate economic analysis, Environmental services, and Hazardous Materials Disposal. Master Agreements for as-needed services are negotiated upon Contractor pre-qualification through formal, competitive RFQ processes. These agreements usually have a three-year term.

As-needed services are typically construction related professional services, such as engineering services. Following the requirements of Administrative Code Chapter 6.64, the Port tasks contractors with individual projects through the issuance of Contract

¹ LBE subcontracting goals are calculated on the base contract amount. Following CMD policy, contract allowances, alternates or contingencies are not factored into calculating final LBE participation rates. CMD reviews on a case-by-case basis, contract amendments that result in a cumulative increase in the total contract amount of 20 percent or more. CMD may apply LBE subcontracting goals to these contract amendments based on a review of the additional work.

Service Orders (CSO) that are not to exceed \$200,000 per public works project.² Any CSOs exceeding \$200,000 per public works project require written justification by the department head to CMD establishing the urgency to perform the work under as-needed contracts rather than through a new formal competitive procurement. LBE subcontracting goals may apply to each Master Agreement or for each CSO. The Port's practice is to have an overall goal for the as-needed contracts and to manage individual CSOs to ensure overall compliance.

D. Delegated Authority: To streamline the Port's contract approval process and to be consistent with the San Francisco Administrative Code and the practice of other City departments, the Port Commission has delegated the following authority to the Executive Director (Resolution Nos. 09-29, 09-37 and 10-60):

- | | |
|--|-----------|
| • Contract Service Orders | \$500,000 |
| • Public works and improvement contracts | \$400,000 |
| • Professional services contracts | \$100,000 |

Delegated authority allows the Port's Executive Director to execute and award public works and improvement and professional services CSOs and contracts at or under the threshold limits without Port Commission review and approval.

III. CONTRACT ACTIVITY UPDATE

During the first and second quarters of FY 2014-15, the Port awarded six new contracts totaling \$7.1 million. LBE prime contractors were awarded four of the six (67%) LBE Ordinance governed contracts. The Port paid contractors over \$7.7 million on active contracts during the reporting period with \$3.3 million (44%) going to LBEs.

A. New Contracts (\$7,105,725; 6 contracts): As summarized in *Table 1* and detailed in *Attachment 1*, during the first half of FY 2014-15, the Port issued three new construction contracts, one new professional service, and two as-needed contracts for a cumulative value of \$7.1 million. Of the six new contracts, five were governed by the LBE Ordinance. LBE goals set for these projects ranged from 8% for the As-Needed Hazard Materials contract to 25% for the Earthquake Vulnerability Study of the Northern Seawall. Additionally, bid discounts between 7.5%-10% were granted to LBE primes on all LBE governed contracts. LBE prime contractors won four of the five contracts where bid discounts were applied. One security fencing contract was exempt from the provisions of the LBE Ordinance because it is funded through a federal grant that does not allow for local contracting preferences.

² Chapter 6 of the Administrative Code governs construction and construction related services.

Table 1: Contracts Awarded from July 1, 2014 – December 31, 2014

Type of Contract	Total Contract	Total Dollar Amount	LBE Award Amount (Prime & Subs)	Average LBE Goal	Actual LBE Amount Awarded
Construction	2	\$ 5,666,481	\$ 4,201,247	16%	74%
Professional Services	1	\$ 467,500	\$ 178,519	25%	38%
As-Needed	2	\$ 525,000	\$ 291,113	8%	55%
Total 14B Eligible Contracts	5	\$ 6,658,981	\$ 4,670,879		
Construction Exempt	1	\$ 446,744	\$ -	N/A	N/A
Total Exempt Contracts	1	\$ 446,744	\$ -	N/A	N/A
Grand Total	6	\$ 7,105,725	\$ 4,670,879	N/A	N/A

1. Use of Delegated Authority (\$0; 0 contracts): The Executive Director did not authorize any delegated authority contracts in the first half of FY 2014-15.

2. Port Commission Approved Contracts (\$7,105,725; 6 contracts): All six contracts awarded in the first half of FY 2014-15 were approved by the Port Commission, and were issued through formal contracting guidelines under Administrative Code Chapters 6, 21, and 14B.

On July 8, 2014, the Bayview Gateway contract was awarded with a 12% LBE subcontracting goal to Bauman Landscape, a CMD certified LBE-OBE firm. Bauman Landscape met the LBE subcontracting goal by listing Zaccor Companies, an LBE-OBE demolition contractor located at Pier 96. Bauman Landscape will be self-performing approximately 68% of the contract work resulting in nearly 80% of the work being performed by certified LBE firms, including subcontractors.

On July 8, 2014, two As-Need Hazardous Waste Disposal Services contracts were awarded by the Port Commission to Eagle Environmental Construction, a LBE-MBE certified firm, and Environmental Logistics, a non-LBE firm. The LBE subcontracting goal for these contracts is 8%. As detailed in *Table 2*, below, Eagle Environmental Construction listed LEEG & Company, a LBE-MBE trucking firm, and Environmental Innovations, a LBE-MBE hazardous waste remediation provider, as LBE subcontractors to exceed the 8% LBE goal. Eagle Environmental Construction will be self-performing approximately 50% of the contract work resulting in nearly 60% of the work being performed by LBE firms, including subcontractors. Environmental Logistics listed Eco Bay Services, a LBE-OBE, and MCD Trucking, a LBE-MBE, firm as subcontractors to complete approximately 11% of the contract work.

Table 2: Hazardous Waste Disposal Services Contracts

Type	Firm	Status	Contract Allocation		LBE Participation	
			Amount	Percent	Amount	Percent
Prime	Eagle Environmental	LBE-MBE	\$ 131,250	50%	\$ 131,250	50%
Subcontractor	PSC	Non-LBE	\$ 102,375	39%	NA	NA
Subcontractor	LEEG & Company	LBE-MBE	\$ 15,750	6%	\$ 15,750	6%
Subcontractor	Environmental Innovations	LBE-MBE	\$ 13,125	5%	\$ 13,125	5%
			\$ 262,500	100%	\$ 160,125	61%
Prime	Environmental Logistics	Non-LBE	\$ 233,625	89%	NA	NA
Subcontractor	Eco Bay Services	LBE-OBE	\$ 13,125	5%	\$ 13,125	5%
Subcontractor	MCD Trucking	LBE-MBE	\$ 15,750	6%	\$ 15,750	6%
			\$ 262,500	100%	\$ 28,875	11%

On August 12, 2014, the Pier 35 Roof Repair project was awarded with a 19% LBE subcontracting goal to Roebuck Construction, a CMD certified LBE-OBE firm. Roebuck Construction exceeded the 19% CMD LBE subcontracting goal by listing Pioneer Construction, a LBE-MBE general building contractor, and Eco Bay Services, a LBE-OBE general engineering contractor for 35% of the total contract value. Roebuck Construction will be self-performing approximately 38% of the contract work resulting in nearly 73% of the work being performed by LBE firms, including subcontractors.

On October 28, 2014, the Earthquake Vulnerability Study of the Northern Seawall was awarded to GHD-GTC a joint venture with a 25% LBE subcontracting goal. GTC, the LBE-MBE joint venture partner for this project, provides civil, geotechnical, and water resources engineering services. The GHD-GTC project team includes the following LBE certified firms as subconsultants: Land Economics Consultants, LLC (LBE-OBE); Ansari Structural Engineers (LBE-MBE); Saylor Consulting Group (LBE-WBE); Rollo & Ridley (LBE-OBE); and Telamon Engineering (LBE-WBE). GTC will be performing 28% of the contract work resulting in 53% of the work being performed by LBEs, including subcontractors.

On December 16, 2014, the Port Security Fences contract was awarded by the Port Commission to Golden Bay Fence Plus Iron Works, a non-LBE firm. CMD reviewed the project scope and funding source, and determined that the contract was exempt due to federal funding guidelines. CMD waived the LBE subcontracting goal for this project.

3. Summary of LBE Contract Participation in New Contract Awards. As discussed above, during the first half of FY 2014-15, the Port issued three new construction contracts, one new professional services contract and two new as-needed contracts for a cumulative value of \$7.1 million. Four of the six (67%) contracts were awarded to LBE primes. Of the contract work awarded by the Port in the first half of FY 2014-15, \$4.7 million (67%) will be performed by LBEs. This includes over \$3.4 million (48%) awarded to LBE prime contractors and \$1.3 million (18%) awarded to LBE subcontractors. Note that the work has not yet commenced and is not reflected in Actual Contract Payments.

B. Actual Contract Payments: As shown in *Table 3* below, during the first half of FY 2014-15 Port contract payments totaled \$7.7 million, with \$7.2 million (94%) paid towards contracts governed by the LBE Ordinance, of which \$3.2 million (45%) was paid to LBEs. Of the \$3.2 million paid to LBEs, \$1.9 million was to LBE primes and \$1.3 million was paid to LBE subcontractors. During this reporting period the Port exceeded CMD goals on LBE Ordinance governed contracts in all three contracting categories: construction, as-needed and professional service contracts.

Table 3: Contract Payments and LBE Participation on LBE Ordinance Governed Contracts from July 1, 2014 – December 31, 2014

Contract Type	Total Payments	Local Business Enterprise					
		Prime Payments	Sub Payments	Total LBE Payments	Overall %	Sub %	Avg. Goal %*
As-Needed	\$824,334	\$171,347	\$203,679	\$375,026	45%	25%	22%
Construction	\$6,181,917	\$1,751,442	\$1,012,983	\$2,764,425	45%	16%	10%
Professional Services	\$160,142	\$0	\$53,290	\$53,290	33%	33%	12%
Total	\$7,166,393	\$1,922,789	\$1,269,952	\$3,192,741	45%	18%	14%

*CMD Subcontracting Goal

1. As-Needed Contracts. As detailed in *Attachment 2*, LBE subcontractors received 25% of all as-needed contract payments in FY 2014-15, representing \$0.2 million in payments. The real estate economics consulting related work performed well (36% LBE subcontractor payments) while engineering (23%) and environmental (25%) maintained LBE subcontracting percentages above the CMD LBE subcontracting requirements. There have been no payments on the newly awarded As-Needed Hazard Waste Disposal contracts.

2. Construction Contracts. As detailed in *Attachment 3*, LBE subcontractors received 16% of construction contract payments in the first half of FY 2014-15, representing \$1.0 million in payments. This means that LBE utilization during the review period was higher than the average LBE subcontracting goal (10%) set at the time of contract award. Port and CMD staffs monitor payments to LBEs to ensure that Port contractors honor their contract commitments. As previously noted CMD measures LBE contracting compliance by the full amount of the contract, not on individual payments. As the contracts proceed the ratios of payments will likely adjust.

The Port currently manages four open and active construction projects. The four projects are Pier 35 Roof Repair, Bayview Gateway, Blue Greenway Signage, and Maintenance Dredging 2011-15. Three of the four active projects have LBE prime contractors, and all four are subject to the provisions of the LBE Ordinance.

The Pier 35 Roof Repair contract is 41% complete. Roebuck Construction has attained 47% LBE subcontracting utilization to date, far exceeding the 19% goal set by CMD. The Bayview Gateway contract is 44% complete. Bauman Landscape, the project's LBE-OBE prime contractor, has attained 29% LBE subcontracting utilization to date, exceeding the 12% goal set by CMD. The Blue Greenway Signage contract is 100%

complete. Cal State Constructors has attained 19% LBE subcontracting utilization to date, exceeding the 8% goal set by CMD.

While most construction contracts have exceeded their individual LBE goals, the Maintenance Dredging contract is short of its 3% percent LBE subcontracting goal. As reported in prior contracting reports, the 3% LBE subcontracting goal was based on the estimated need to transport contaminated dredge spoils for landfill disposal. However, little of the Port dredging work has required landfill disposal of dredged spoils. Based on the locations of the planned dredging work, the Port expects that dredge spoils will not need to be trucked and thus the contractor will not have the opportunity to meet the 3% goal over the life of the contract.

3. Professional Services Contracts. As detailed in *Attachment 4*, there is one active professional service contract governed by the LBE Ordinance, the Crane Cove Park Design Project led by AECOM, a non-LBE firm. The LBE subcontracting goal for this project is 19%. In the first half of FY 2014-15, payments to LBE subcontractors on professional service contracts totaled \$53,000 (33%) out of \$160,000 in total contract payments. Port staff expects the contractor will continue to exceed the LBE subcontracting goal as the project enters its second phase, which includes work tailored to LBE subcontractors.

The Port has an additional 13 active professional service contracts that are exempt from the provisions of the LBE Ordinance due to their small contract size, funding source requirements, or LBE subcontracting waivers granted by CMD. Although exempt from the LBE Ordinance the Port paid LBE contractors \$160,000 (32%) out of \$492,000 paid on LBE exempt contracts.

No payments were made to the Earthquake Vulnerability Study of the Northern Seawall contract before the end of the first half of FY 2014-15.

C. Closed Contracts: At the conclusion of a contract, CMD staff reviews payment information, as well as the contract exit report and affidavit (known as CMD Form 8). CMD staff then confirms the contractor's compliance and/or good faith efforts to meet the contract's LBE requirements to Port staff in writing.

During the first half of FY 2014-15, two construction contracts were closed. First, the Fisherman's Wharf Triangle Parking Lot Pedestrian Improvement contract, awarded to JDB Construction, was closed on July 3, 2014 with final project amount of \$113,105. Additionally, the Pier 50 Covered Storage Shed contract, also awarded to JDB Construction, was closed on July 16, 2014 with a final project amount of \$402,212. Both contracts were LBE micro-set asides, which are construction contracts under \$400,000 or professional services contracts under \$100,000 reserved for micro-LBE contractors.³ Prime contractors on micro-set aside contracts must self-perform at least 25% of the contract work. JDB Construction performed \$108,400 (96%) of the contract work on the

³ Micro-LBE certification is available to small LBE firms under economic threshold amounts defined in the LBE Ordinance.

Fisherman's Wharf Triangle Parking Lot Improvement contract and \$164,500 (41%) on the Pier 50 Covered Storage Shed contract. Therefore, CMD determined that the contractor complied with the LBE Ordinance micro set-aside requirements on both projects.

Additionally, contract work on the Blue Greenway Signage project concluded during the reporting period. CMD is currently reviewing the project's exit report and affidavit to determine compliance with the LBE Ordinance. However, as stated previously, according to Port records Cal State Constructors the LBE-OBE prime contractor has attained a 19% LBE subcontracting goal, far exceeding the 8% goal set by CMD.

D. Compliance with Local Hire Requirements: The San Francisco Local Hire Policy for Construction applies to construction projects advertised for bid after March 25, 2011 that pertain to public works or improvements that are city funded with an engineer's estimate above \$400,000. The Local Hire Ordinance (Section 6.22.G.4 of the San Francisco Administrative Code) requires contractors and their subcontractors to attain a minimum of 20% total work hours by trade per project using San Francisco residents.⁴ The Ordinance also requires that 25% of apprentice hours per trade be performed by disadvantaged San Francisco residents. The program is managed by the Office of Economic and Workforce Development (OEWD). OEWD staff advises that all of the Port's 14 projects that are subject to the Local Hire Ordinance are compliant, as summarized in *Table 4*.⁵

Table 4: Local Hire Projection, FY 2014-15 (Continued on next page)

Project	TOTAL WORK HOURS			APPRENTICE HOURS		
	Total	Local Hire	Local Hire %	Total	Local Apprentice	Local Hire %
30% Requirement						
Bayview Gateway Park	4,334	1,501	35%	930	794	85%
Blue Greenway Signage *	1,289	239	19%	86	74	86%
Pier 35 Roof Repair	2,330	946	41%	486	144	30%
25% Requirement						
Pier 23 Electrical Upgrade	1,370	903	66%	215		0%
20% Requirement						
Cruise Terminal Combined	258,594	66,465	26%	38,104	14,708	39%
AC34 Improvements*	21,656	3,297	15%	3,638	980	27%
Heron's Head Park	10,852	2,323	21%	394	216	55%
SHS JOS BUILDING		2,507	20%	2,145	886	41%

⁴ Local Hire requirements increase from 20% to 25% on applicable contracts solicited after March 2012, and to 30% for contracts solicited after March 2013.

	12,285					
Cruise Ship Terminal	113,403	24,886	22%	16,265	5,220	32%
Project	TOTAL WORK HOURS			APPRENTICE HOURS		
	Total	Local Hire	Local Hire %	Total	Local Apprentice	Local Hire %
Pier 33.5 Improvements	13,533	6,092	45%	1,699	1,297	76%
Pier 35 North Apron Repair	4,114	2,792	68%	8		0%
Pier 50 Valley Repairs*	7,819	899	12%	355	226	64%
Roundhouse 2 HVAC	545	213	39%	16		0%
The Brannan Street Wharf	48,127	9,905	21%	7,005	2,171	31%

*OEWD granted a conditional waiver or exemption that permits contractors to perform below the Local Hire requirement.

While all 14 projects have performed well, in some instances Local Hire estimates appear to be below the requirements due to conditional waivers and exemptions that were reviewed and approved by OEWD. In those cases, the prime contractors for each of the projects listed in *Table 4* have requested conditional waivers and exemptions, including exemptions for marine related pile driving and operating engineering work, which are specialized trades that are exempt from the City's Local Hire Policy.

IV. LEGISLATIVE UPDATE

In December 2014, and for the first time in eight years, the Board of Supervisors adopted legislation establishing significant reforms to the Local Business Enterprise and Non-Discrimination in Contracting Ordinance ("LBE Ordinance"). This ordinance is codified under Chapter 14B of the City and County of San Francisco's Administrative Code.⁶ The LBE Ordinance was designed to level the playing field for small local businesses by increasing their ability to compete effectively for the award of City contracts. Specifically, through the LBE Ordinance, the City provides bid discounts, set asides, information and training, and other assistance to small and micro local businesses.

Prior to 2006, the LBE Ordinance, known as the MBE/WBE Program, provided discounts to companies owned by women and minorities. Since then, it has been applied in a race and gender neutral manner, and includes any local business that meets certain size thresholds. In 2012, Mayor Edwin Lee transferred the responsibility for this program from the Human Rights Commission to the City Administrator's Contract Monitoring Division. Key reforms in the new LBE Ordinance include:

⁶ See, "City and County of San Francisco Administrative Code, Chapter 14B," <http://sfgsa.org/modules/showdocument.aspx?documentid=10695>.

- Creating an aspirational Citywide goal for LBE utilization of 40 percent;
- Creating the “San Francisco First” program requiring City departments to make good faith efforts to first obtain three bids from local businesses for construction contracts under \$400,000 and professional service contracts under \$100,000 before opening the process to non-LBEs;
- Adding a bid discount of 2 percent for LBEs on contracts between \$10-20 million (currently, the LBE Ordinance only provides bid discounts to contracts under \$10 million);
- Requiring LBE utilization plans and subcontracting goals on all development agreements adopted by the Board of Supervisors;
- Increasing certification thresholds for certain industries; and
- Creating a mentor-protégé program to foster partnerships between established prime contractors and LBEs.

The new legislation will impact Port contracting activity in several ways. For example, there will be new administrative requirements on Port staff and our development partners, as all new development agreements will require a detailed LBE utilization plan that will include a LBE subcontracting goal and numerous reporting requirements. Port staff will also be required to obtain three bids from LBE firms on small contracts prior to issuing requests for proposals. This may further delay an already slow contracting process. Finally, the increase in certification thresholds will expand contracting opportunities for small local businesses as more firms will be eligible to participate in the LBE program. The mentor-protégé program will also help build the capacity of small local firms to compete for public dollars.

Port staff is currently working with CMD, the City Administrator's Office, and contract awarding agencies to draft the new legislation's implementing rules and regulations. The new LBE Ordinance takes effect on July 1, 2015.

V. CONCLUSION

During the first half of FY 2014-15, the Port awarded six new contracts totaling \$7.1 million of which \$4.7 million, or 70%, was awarded to LBEs. The Port made \$7.7 million in contract payments, of which \$3.2 million or 45% was paid to LBEs. Most contracts are meeting or exceeding their contractually obligated CMD goals based on overall contract spending to date.

During the first half of FY 2014-15, Port staff exceeded the Port Commission's informal policy requesting staff to direct 20% of contract payments and awards to LBEs.

Port staff will continue to work collaboratively with CMD, OEWD staff, and stakeholders to ensure continuing success in meeting Local Hire goals and maximizing economic opportunities for LBEs.

Prepared by: Boris Delepine
Contract Administrator

And

Meghan Wallace
Budget Manager

Prepared for: Elaine Forbes, Deputy Director
Finance & Administration

cc: Contract Monitoring Division, Lupe Arreola
Local 21, IFPTE, Ging Louie

Attachments:

Attachment 1:	Contracts Awarded in Fiscal Year 2014-15
Attachment 2:	As-Needed Contract Service Order (CSO) Payments
Attachment 3:	Construction Contract Payments
Attachment 4:	Professional Services Contract Payments

Attachment 1: New Contracts Awarded July-December FY 2014-15

Project title	Vendor Name	Contract Amount	LBE Subcontracting Goal %	LBE Prime Contracting Amount at Time of Award	Total LBE Sub Awarded
Construction					
Bayview Gateway	Bauman Landscape (LBE-OBE)	3,667,925	12%	2,082,450	455,400
Pier 35 Roof Repair	Roebuck Construction (LBE-OBE)	1,998,556	19%	997,077	666,320
Port Security Fences (Federal Funded LBE Exempt)	Golden Bay Fence Plus (Non-LBE)	446,744	0%	-	-
Total Construction		6,113,225		3,079,527	1,121,720
Professional Services					
Seawall Earthquake Study	GHD-GTC JV (JV-MBE)	467,500	25%	79,409	99,110
Total Professional Services		467,500		79,409	99,110
As-Needed					
As Needed Hazardous Materials Disposal	Eagle Environmental (LBE-MBE)	262,500	8%	233,625	28,875
As Needed Hazardous Materials Disposal	Environmental Logistics (Non-LBE)	262,500	8%	-	28,613
Total As-Needed		525,000		233,625	57,488
Total Contract		7,105,725		3,392,561	1,278,318

ATTACHMENT 2:
As-Needed Annual Contracts, Mid-Year FY 2014-15
(July 1, 2014 - December 31, 2014)

As-Needed Contracts							
Total FY 2013-14							
As Needed Contracts (All 14B Contracts)	Total Contract Amt.	LBE Goal %	LBE Goal Amount	Total Payments in FY	Total Non-LBE	LBE Prime Payments	LBE Sub Payments
Overall LBE %							
Total LBE Payments							
Sub LBE %							
Real Estate*							
Bay Area Economics	\$500,000	22%	\$110,000	\$38,533	\$33,942	\$0	\$4,591
Economic Planning Systems	\$750,000	22%	\$165,000	\$31,178	\$5,753	\$0	\$25,452
Keyser Marston Assoc.	\$500,000	22%	\$110,000	\$8,850	\$8,850	\$0	\$0
Seifel Consulting (LBE-WBE)	\$500,000	22%	\$110,000	\$4,694	\$4,060	\$634	\$0
Subtotal, Real Estate Services	\$2,250,000	22%	\$495,000	\$83,255	\$52,605	\$634	\$30,043
							36%
Engineering & Related							
Cresgreen + D'Angelo/AGS (JV-MBE)	\$1,500,000	21%	\$315,000	\$167,999	\$104,796	\$0	\$63,203
Gervin/SDE (JV-MBE)	\$1,500,000	21%	\$315,000	\$96,667	\$65,310	\$7,490	\$23,867
PB-Structus Inc. (JV-MBE)	\$1,500,000	21%	\$315,000	\$255,838	\$65,941	\$129,086	\$30,810
Subtotal, Engineering & Related	\$4,500,000	21%	\$945,000	\$550,504	\$236,047	\$136,576	\$117,880
							23%
Environmental & Related							
Baseline	\$1,000,000	22%	\$220,000	\$146,784	\$103,256	\$0	\$43,528
SCA Environmental (LBE-MBE)	\$1,000,000	22%	\$220,000	\$17,267	\$2,925	\$14,342	\$0
Weiss Associates	\$1,000,000	22%	\$220,000	\$56,524	\$73,763	\$0	\$12,228
Subtotal, Environmental & Related	\$3,000,000	22%	\$660,000	\$220,575	\$179,944	\$14,342	\$55,756
							32%
TOTAL As-Needed Contracts	\$9,750,000	22%	\$2,115,750	\$824,334	\$468,596	\$151,552	\$203,679
							43%
							\$355,231
							30%
							\$14,342
							\$32,823
							\$70,098
							25%
							43%

ATTACHMENT 3:
Construction Contracts, Mid-Year FY 2014-15
(July 1, 2014 - December 31, 2014)

Construction Contracts		Project Title	Total Contract Amt.	LBE Goal %	LBE Goal Amount	Total Payments in FY	Total Non-LBE	LBE Prime Payments	LBE Sub Payments	Total LBE Payments	Overall LBE%	Sub LBE %
14B Contracts												
Rebeck Construction (LBE-OBE)	Pier 35 Roof Repair	\$1,998,556	19%	\$378,726	\$833,839	\$79,160	\$368,911	\$390,210	\$759,121	91%	47%	
Bauman Landscapes (LBE-OBE)	Bayview Gateway	\$3,667,925	12%	\$440,151	\$1,680,081	\$109,141	\$1,080,522	\$490,418	\$1,570,940	94%	29%	
Carl Stale Constructors (LBE-OBE)	Blue Greenway Signage	\$681,547	8%	\$54,524	\$711,051	\$377,275	\$261,919	\$132,355	\$394,274	55%	19%	
Dutra	Maintenance Dredging 2011-15	\$4,000,000	3%	\$120,000	\$2,911,047	\$2,911,047	\$0	\$0	\$0	0%	0%	
	Subtotal, 14B Contracts	\$10,348,028	10%	\$994,400	\$5,136,618	\$3,416,723	\$1,711,352	\$1,012,983	\$2,724,335	44%	17%	
Micro-LBE Contracts												
JDB Construction (LBE-OBE)	Pier 50 Covered Storage Shed	\$402,212	N/A	N/A	\$40,090	\$0	\$40,090	\$0	\$40,090	100%	0%	
	Subtotal Micro-LBE Contracts	\$402,212	N/A	N/A	\$40,090	\$0	\$40,090	\$0	\$40,090	100%	0%	
	Subtotal, 14B Construction Contracts	\$10,790,240			\$5,176,708	\$3,416,723	\$1,751,442	\$1,012,983	\$2,764,425	45%	16%	
Non-14B Contracts												
Turner	Pier 29 Fire Damage Repair	\$13,045,985	N/A	N/A	\$5,209	\$5,209	\$0	\$0	\$0	0%	0%	
	Subtotal, Non-14B Contracts	\$13,045,985	N/A	N/A	\$5,209	\$5,209	\$0	\$0	\$0	0%	0%	
	TOTAL Construction Contracts	\$23,796,225	10%	\$994,400	\$5,181,917	\$3,421,932	\$1,751,442	\$1,012,983	\$2,764,425	45%	16%	

Attachment 4
Professional Service Contract, Mid-Year FY 2014-15
(July 1, 2014 - December 31, 2014)

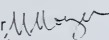
Professional Services Contracts									
Total FY 2013-14									
Professional Services Contracts	Service Project Title	Total Contract Amt.	LBE Goal %	LBE Goal Amount for Life of the Contract	Total Payments in FY	Total Non-LBE	LBE Prime Payments	LBE Sub Payments	Sub LBE %
14B Contracts									
AECOM	Crane Dove Park Design & Planning	\$2,609,396	19%	\$495,785	\$160,142	\$106,852	\$0	\$53,290	33%
	Subtotal, 14B Contracts	\$2,609,396	19%	\$495,785	\$160,142	\$106,852	\$0	\$53,290	33%
Non-14B Contracts									
Elther Reyes (LBE-MBE)	Contracting Process Consulting	\$45,000	N/A	N/A	\$29,363	\$0	\$29,363	\$0	0%
Cresgan + D'Angelo	Pier 28 Fire Recovery	\$1,566,000	N/A	N/A	\$6,842	\$5,634	\$0	\$1,008	15%
David Perry	Media Consultants	\$70,000	N/A	N/A	7,600	\$7,600	\$0	\$0	0%
Davis & Associates (LBE-MBE)	Media Consultants	\$170,000	N/A	N/A	\$43,680	\$0	\$43,680	\$0	0%
GHD	Environmental Pier 70 Development	\$206,929	N/A	N/A	\$6,904	\$6,904	\$0	\$0	0%
Lands Communication (LBE-MBE)	Media Consultants	\$25,000	N/A	N/A	\$4,150	\$0	\$4,150	\$0	0%
Langan Engineering & Environment	Pier 70 Environmental Site Investigation	\$324,258	N/A	N/A	\$50,163	\$50,163	\$0	\$0	0%
Metropolitan Stevedore	Pier 60 Revenue Shares	\$2,476,000	N/A	N/A	\$141,265	\$141,265	\$0	\$0	0%
ORRone	Media Consultants	\$95,000	N/A	N/A	\$47,501	\$47,501	\$0	\$0	0%
Rolph Andersen & Associates	Executive Recruitment	\$35,000	N/A	N/A	\$31,151	\$31,151	\$0	\$0	0%
Roger L. Peters	Foreign Trade Zone Consulting Services	\$45,000	N/A	N/A	\$2,048	\$2,048	\$0	\$0	0%
Thornton Tomasetti	Building Occupancy Resumption	\$476,890	N/A	N/A	\$30,750	\$30,750	\$0	\$0	0%
San Francisco Conservation Corp	Youth Employment Services	\$285,000	N/A	N/A	\$81,243	\$0	\$81,243	\$0	0%
	Subtotal, Non-14B Contracts	\$6,090,077	N/A	\$495,785	\$492,690	\$333,246	\$156,436	\$1,008	32%
	TOTAL, Professional Services Contracts	\$6,629,473	19%	\$495,785	\$652,832	\$440,098	\$156,436	\$54,298	33%
								\$212,734	8%



MEMORANDUM

March 5, 2015

To: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer 
Executive Director

SUBJECT: Request for authorization to award professional services contracts for implementation of the Port's Youth Employment Program to the San Francisco Conservation Corps in an amount not to exceed \$795,000 and to the Hunters Point Family in an amount not to exceed \$265,000, each with terms of two (2) years with an option to extend for two (2) years and a total combined amount not to exceed \$1,060,000.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution

Executive Summary:

Pursuant to Port Commission authorization (Resolution 14-45) Port staff issued a Request for Proposals ("RFP") soliciting youth employment program services that provide job readiness and on the job training for economically disadvantaged and at-risk San Francisco youth ages 16 through 24, particularly those who live in areas adjacent to Port property.

Port staff initiated a selection process to award up to two professional services contracts. Of two timely proposals submitted, both were determined to meet the RFP's minimum qualifications. A selection panel then evaluated and scored the written proposals and conducted oral interviews. Final rankings were determined and both firms, the Hunters Point Family (HPF) and the San Francisco Conservation Corps (SFCC) were selected for contract negotiations.

Port staff now requests Port Commission authorization to award professional services contracts to fulfill the Port's Youth Employment Program to SFCC in an amount not to exceed \$795,000 and to the HPF in an amount not to exceed \$265,000, each with terms of two (2) years with an option to extend for two (2) years and a total combined amount not to exceed \$1,060,000.

This Print Covers Calendar Item No. 11B

Strategic Objective:

The Port strives to make its properties available to a broad array of users and ensure the Port's portfolio provides quality of life and economic benefits to San Franciscans and to the people of the State of California. The City's policymakers have expressed a strong desire for City departments to invest in youth employment programs. Mayor Edwin Lee has made jobs creation and youth employment a priority of his administration. Since 2004, the Port Maintenance Division has had a successful youth employment program aimed at providing jobs to economically disadvantaged and at-risk San Francisco youth ages 16 through 24. In conjunction with the City's objective for employment initiatives, the Port has an objective to maintain and beautify its properties. This program serves the objectives of both the Port and the City.

Southern Waterfront:

Ninety-five (95) percent of the work of the youth employment program is in the Southern Waterfront. Annually there are landscaping and clean-up projects at the following Port properties: Illinois Street; 20th Street; Pier 70; 22nd Street; 23rd Street; 24th Street; Warm Water Cove; Michigan Street; Cesar Chavez Street; Pier 80; Tulare Park; Amador Street; Cargo Way; Islais Creek Park; Pier 96; Heron's Head Park; Terry François Boulevard; Agua Vista Park; Pier 54 Boat Launch and various parking lots.

Background and Purpose:

During its review of the Port's Fiscal Year 2004-05 budget, the Board of Supervisors appropriated \$150,000 of the Budget Analyst's cuts to fund a youth employment program at the Port of San Francisco aimed at providing jobs to economically disadvantaged and at-risk San Francisco youth ages 16 through 24. Port staff determined that the Port would benefit from a program that supports the Port's efforts to maintain landscaped areas, including weed abatement, hand watering, planting, and manual fertilization of Port plants, and graffiti and litter removal. Subsequently, the Port Commission adopted two resolutions authorizing Port staff to enter into two separate four year grant agreements, from 2004 through 2012, totaling \$1.4 million. Both contracts were awarded to the SFCC.

On March 26, 2013 Port staff requested the Port Commission to adopt Resolution No. 13-15 to enter into a four year contract with the San Francisco Conservation Corps for the Port's Youth Employment Program in the total amount of \$1,060,000, subject to annual funding appropriation of \$265,000. The Port Commission continued the item and directed staff to work with the San Francisco Conservation Corps to: maximize the number of youths in the program by increasing the amount of funding that supports hours worked by reducing the administrative costs; incorporate improved performance metrics; provide an opportunity to expand participation in the program; and consider "option to renew" language after two (2) years of a four (4) year contract. After changes to the proposed contract performance metrics and terms met the Commissioners' expectations, the Port Commission adopted Resolution No. 13-30 on August 13, 2013 authorizing Port staff to enter into a \$285,000 one (1) year contract with the SFCC with and subcontractors, Larkin Street Youth and A. Philip Randolph Institute, that expired on November 30, 2014.

On July 8, 2014, the Port Commission adopted Resolution 14-45, approving the issuance of an RFP to solicit up to two contractors to continue the Port's Youth Employment Program. As detailed in the RFP, contracts may be awarded with terms of two (2) years with an option to extend for two (2) years, for a total of up to four (4) years in the amount of \$265,000 annually with a total not to exceed amount of \$1,060,000. Specific key objectives identified in the RFP included:

- Employment of economically disadvantaged and/or at-risk San Francisco youth ages 16 through 24
- Performing various maintenance services on Port property, including but not limited to:
 - Weeding, edging, and trimming of hedges
 - Mulching and bagging clippings
 - Planting and related tasks
 - Litter and Graffiti removal
 - Other landscape or litter control maintenance as directed
- Providing work readiness training and supervision in environmental services to prepare participants for future employment
- Providing pre-apprenticeship training and safety program curriculum
- Supervision, inspection, and verification of the work being performed

Additionally, as detailed in the RFP, Port staff will monitor and evaluate work in progress and upon completion. Port staff will inspect the work accomplished to evaluate performance and consult with the contractors to ensure acceptable service levels are maintained through-out the term of the contract.

Local Business Enterprise (LBE) Role/Opportunities

On September 3, 2014, the Contract Monitoring Division waived the project's Local Business Enterprise ("LBE") subcontracting goal due to the project's size and single scope of work. Though there is no LBE subcontracting goal for this project, prime proposers were eligible for a 10% rating bonus. SFCC, a Contract Monitoring Division (CMD) certified non-profit enterprise ("NPE") was granted a 10% rating bonus in accordance with Chapter 14B of the Administrative Code. HPF, though located in San Francisco, is not a CMD certified NPE and therefore, was not granted a 10% rating bonus.

Selection Process and Award:

Port staff originally advertised the RFP on September 24, 2014. On the deadline of October 24, 2014, the Port received two written proposals, both of which were deemed non-responsive for failure to meet the RFP's original minimum qualifications.

Port staff re-issued the RFP on November 18, 2014 with a modified schedule and updated minimum qualifications. Specifically, the minimum qualification requiring experience with similar scopes was reduced from three years to two, and a requirement related to the prime proposer's assignment of a program coordinator was deleted to offer greater flexibility.

On December 23, 2014, the Port received three written proposals, two of which met the RFP's minimum qualifications. The third was disqualified for missing the submission deadline which is disappointing.

Selection Panel

A three-member selection panel was convened to evaluate and score proposals on January 20, 2015. The panel consisted of a Director of Facilities from the Human Services Agency, an Operations Manager from the Recreation and Parks Department Maintenance Division, and a Superintendent of Harbor Maintenance from the Port. The Contract Monitoring Division Compliance Office approved the panel composition and attended the selection panel meeting.

Evaluation Criteria

Written proposals were evaluated and scored by the selection panel based upon the following criteria:

35 points – Firm and program staff qualifications
55 points – Program approach
10 points – Program budget
100 points total

The CMD applied LBE prime contractor bonus points to the scores and both proposers were short listed for oral interviews. Oral interviews were held on Friday, February 6, 2015.

Oral interviews were based upon the following the criteria:

15 points – reference checks
20 points – firm and program staff qualifications
55 points – program approach
10 points – program budget
100 points total

CMD applied LBE prime contractor bonus points to the interview scores and the final ranking was then determined.

<u>Final Ranking</u>	<u>Name of Prime Contractor</u>	<u>Scores</u>
1	San Francisco Conservation Corps	103 (with rating bonus)
2	The Hunters Point Family	80

On February 17, 2015 Port staff issued a notice of intent to award contracts to SFCC and HPF. No protests were received during the 5 working day protest period after which CMD issued their official award memo.

Port staff selected both SFCC and HPF for contract negotiations based on their prior project experience, breadth of organizational structure, and their proven ability to engage at-risk San Francisco youth. While the Port could have limited the selection to SFCC, based upon its high score, Port staff determined that it is in the interest of the

Youth Employment Program to award two contracts. In particular, HPF offers unique expertise in green job training, urban gardening, composting and offers a demonstrated ability to recruit youth in the Bayview Hunter's Point community.

Accordingly, staff seeks Port Commission authorization to award contracts to SFCC in an amount not to exceed \$795,000 and to HPF in an amount not to exceed \$265,000. The annual allocation of funding for the two contracts is \$265,000, including \$198,750 for SFCC and \$66,250 for HPF.

Term	SFCC	HPF	Total Authority
Annual Budget	\$ 198,750	\$ 66,250	\$ 265,000
Initial Term (2 years)	\$ 397,500	\$ 132,500	\$ 530,000
Not to Exceed (4 years)	\$ 795,000	\$ 265,000	\$ 1,060,000

About San Francisco Conservation Corps

SFCC is a San Francisco based non-profit organization certified by CMD as a local non-profit business enterprise founded over 30 years ago. SFCC provides workforce development, employment barrier remediation services, and referrals to the public workforce system for low income and at-risk San Franciscans. SFCC has administered employment training programs for the San Francisco Public Utilities Commission, Recreation and Parks Department, the Office of Economic and Workforce Development, and Recology. Additionally, SFCC has provided youth employment services to the Port of San Francisco for the past nine years. Under the proposed contract SFCC will be subcontracting with Larkin Street Youth (LSYS) and the A. Philip Randolph Institute (APRI).

SFCC will continue to provide monthly performance measure reports similar to those developed during the FY 2013-14 program. These reports include information on the number of participants enrolled in the program by SFCC, LSYS, and APRI, as well as their ethnicity, age, career development and educational training. SFCC will also provide monthly updates on the participants' work performed, safety trainings conducted, and the location of project site areas.

SFCC will direct 30 percent of its work to its subcontractors, including 23 percent to LSYS and 7 percent to APRI. Over 44 percent of the total program budget will be dedicated solely to participant wages and fringe benefits. This is a 4 percent increase dedicated to youth participant salaries over SFCC's 2013 contract. Additionally, 19 percent of the total program budget will be directed towards youth supervision. Both of SFCC's program supervisors are former youth graduates from the previous program. Participants under the SFCC program will receive a minimum of \$12.25 per hour. Administrative salaries equal 15 percent of the total program budget. As the prime contractor, SFCC leverages other funding streams outside of the Port's program budget for industry recognized credentialed training, career development programs, job placement, and their high school diploma program.

About The Hunters Point Family

HPF is a San Francisco based non-profit organization founded in 1997. HPF provides youth development programs, parent-peer support, and workforce development programs to at-risk youth in the City's Bayview Hunters Point. HPF is currently engaged in contracts with the Department of Children Youth and Their Families, Department of Public Works, and the Office of Economic and Workforce Development.

HPF will track program performance metrics and provide monthly reports detailing information about the number, ethnicity, and age of program participants. Monthly reports will also track participant career development and educational training.

HPF will not subcontract any work associated with this contract. Over 49 percent of their total program budget will be dedicated to participant wages and fringe benefits. HPF program participants will receive \$13.50 per hour. An additional 26 percent of the contract award will be dedicated to career coaches and program instructors. Administrative salaries equal 9 percent of the total program budget.

Funding:

The Port's operating budgets for Fiscal Years (FY) 2014-15 and 2015-16 include \$265,000 annually in the Maintenance Division for Youth Employment Programs to assist with the maintenance of Port properties. Any program funding beyond FY 2015-16 is subject to future appropriations.

Schedule:

The planned contract schedule is:

<u>Activity</u>	<u>Target Date</u>
Port Commission Authorization to Award Contract	March 10, 2015
Notice To Proceed	March 27, 2015
Contract Completion	March 27, 2017

Summary:

Port staff has completed the RFP evaluation process and recommends the San Francisco Conservation Corps and the Hunters Point Family to provide youth employment training services as described in this report. The youth employment training program provides the Port with the unique opportunity to directly engage at-risk and disadvantaged San Francisco youth while providing the job skills and work experience needed to secure future employment and academic goals while beautifying the waterfront.

Recommendation:

Port staff recommends that the Port Commission adopt the attached resolution authorizing staff to award contracts to the San Francisco Conservation Corps in an amount not to exceed \$795,000 and to the Hunters Point Family in an amount not to exceed \$265,000, each with terms of two (2) years with an option to extend for two (2) years and a total combined amount not to exceed \$1,060,000.

Prepared by: Boris Delepine, Contracts Administrator
Finance and Administration Division

For: Elaine Forbes, Deputy Director
Finance and Administration Division

and

Tom Carter, Deputy Director
Maintenance Division

Attachments

A: Contract Monitoring Division Award Memo

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-08

- WHEREAS, in 2004, the San Francisco Board of Supervisors directed the Port to create a youth employment program targeting economically disadvantaged and at-risk youth; and
- WHEREAS, on November 9, 2004 the Port Commission adopted Resolution 04-90 authorizing Port staff to enter into a four year contract with the San Francisco Conservation Corps to operate a youth employment program by providing assistance in maintaining Port property; and
- WHEREAS, because of the success of the program, the Port Commission approved a subsequent contract solicitation in 2008 and authorized Port staff to enter into a new four year contract with the San Francisco Conservation Corps to operate the Port's youth employment program by Resolution 08-65 on October 28, 2008; and
- WHEREAS, on August 13, 2013 the Port Commission adopted Resolution 13-30 authorizing Port staff to enter into a \$285,000, one (1) year contract with the San Francisco Conservation Corps to operate a youth employment program by providing assistance in maintaining Port property in collaboration with two (2) sub-contractors, Larkin Street Youth and A. Phillip Randolph Institute; and
- WHEREAS, the program provides the Port and City and County of San Francisco the ability to meet the strategic objective of maintaining and beautifying its properties while providing job readiness and job training; and
- WHEREAS, From 2004 to 2014, the Port's youth employment program provided employment services to over 30 youths annually through the services of its contractor, the services have been of good quality, and the Port continues to need assistance in maintaining its property; and
- WHEREAS, the proposed continuation of the program will provide employment services for approximately 20-40 youths annually for the next four years; and
- WHEREAS, The Port does not have the expertise to directly recruit, hire, provide work readiness training and supervision for youth employees; and
- WHEREAS, at its meeting on July 8, 2014 through Resolution 14-45, the Port Commission authorized staff to issue a Request for Proposals ("RFP") to solicit and select up to two organizations to organize, implement, and administer a youth employment program to assist in maintaining

the Port's property each with a term of two (2) years with an option to renew for two (2) years, for a total of four (4) years maximum, with a total amount not to exceed \$1,060,000 at \$265,000 per year; and

WHEREAS, Port staff advertised the RFP on November 18, 2014, and received two timely responsive proposals on December 23, 2014; and

WHEREAS, Port staff convened an evaluation panel to evaluate and score the proposals and hold oral interviews; and

WHEREAS, Port staff selected both RFP respondents, the Hunters Point Family and the San Francisco Conservation Corps, for contract negotiations based on the breadth of their organizational structure and prior project experience; and

WHEREAS, the Port Commission has allocated through the Port's Bi-Annual Operating Budgets for Fiscal Years 2014-15 and 2015-16, \$265,000 annually in the Maintenance Division for Youth Employment Programs to assist with the maintenance of Port properties; now, therefore, be it

RESOLVED, that the Port Commission authorizes Port staff to award Professional Services Contract PRT1415-04, Youth Employment Program for Environmental Maintenance of Port Facilities for the services described in the accompanying staff report, to the San Francisco Conservation Corps in an amount not to exceed \$795,000 and to the Hunters Point Family in an amount not to exceed \$265,000, each contract with a term of two (2) years with an option to extend for two (2) years; and a total combined amount for both contracts not to exceed \$1,060,000.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 10, 2015.

Secretary



CONTRACT MONITORING DIVISION CITY ADMINISTRATOR'S OFFICE



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

Veronica Ng, Director

MEMORANDUM

Date: February 19, 2015

To: Boris Delepine, Contracts Administrator, Port of San Francisco

From: Lupe Arreola, Contract Compliance Officer, CMD *LS*

Subject: Award Memo, RFP PRT 1415-04, Youth Employment

CMD reviewed the consultants' proposals and the summary of scores for the above referenced project to determined responsiveness to Chapter 14B pre-award requirements.

Ratings Bonus

The following firms applied for and were granted the following ratings bonus:

Firm	LBE Status	Ratings Bonus %
San Francisco Conservation Corps	OBE-LBE	10%

Score Sheets and Score Tabulations

CMD reviewed the score sheets submitted by the panelists. According to the aforementioned score tabulations submitted, the firms scores were as follows:

Firm Name	Raw Average Score	Average Score w/ LBE Rating Bonus	Final Score	Rank
San Francisco Conservation Corps	93.33	102.7	102.7	1
Hunter's Point Family	80.00	N/A	80	2

Each RFQ response and oral interview was evaluated in accordance with the criteria set forth in the RFQ. The firm with the highest final score, San Francisco Conservation Corps, met the CMD 14B pre-award requirements.

Should you have any questions, or if I can be of any further assistance, please do not hesitate to contact me at 415-274-0511 or lupe.arreola@sfgov.org.



MEMORANDUM

March 5, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Informational presentation regarding the revised Forest City mixed-use development plan for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay, and proposal for a Pier 70 Special Use District

DIRECTOR'S RECOMMENDATION: Information only

Executive Summary

On May 28, 2013, the Port Commission adopted Resolution 13-20¹ endorsing a Term Sheet between the Port and Forest City Development California, Inc. ("Forest City" or "Master Developer") for the mixed use development of the 28 acre Pier 70 Waterfront Site (the "Waterfront Site," shown on Exhibit A). On June 11 2013, the Board of Supervisors adopted Resolution 201-13 by 11-0 endorsing the Term Sheet between the parties.

On March 25, 2014, Forest City presented its Pier 70 Waterfront Site waterfront parks design concept to the Port Commission. The design concept outlined strategies, program elements and design details for a series of parks, playgrounds and recreation spaces that will become a new amenity for the City's central waterfront.

On June 3, 2014, San Francisco voters approved Proposition B, "Voter Approval for Waterfront Development" (59-41%), requiring voter approval for any increase in

THIS PRINT COVERS CALENDAR ITEM NO. 12A

¹ A copy of the Port Commission staff report, associated exhibits, and Resolution 13-20 is available at: <http://www.sfport.com/index.aspx?page=2295>

heights for property under the jurisdiction of the San Francisco Port Commission. In response to Proposition B, Forest City sought and obtained voter approval for Proposition F on the November 4, 2014 ballot (73-27%).

Proposition F, "Pier 70 Development Site Height Limit Increase", permits an increase in the height of the Site from 40' to 90' and adopted open space, housing, affordability, historic rehabilitation, artist community preservation, commercial, and urban design policies related to development of the Waterfront Site.

Since November 4, 2014, Forest City has:

- worked with City staff to 1) refine the Waterfront Site land use and urban design plan consistent with the terms of Proposition F; 2) conduct coordinated planning with Port and City staff for adjacent parcels along Illinois Street between 20th Street and 22nd Street ("Illinois Parcels"); and 3) defined a proposed Pier 70 Special Use District ("Pier 70 SUD") that will encompass the Waterfront Site and "Illinois Parcels";
- conducted stakeholder outreach regarding the revised land use plan, including a presentation at the Central Waterfront Advisory Group on February 18, 2014; and
- filed an environmental evaluation application with the San Francisco Planning Department and prepared a proposed project description and other submittals necessary for the Department to prepare a Notice of Preparation of an Environmental Impact Report.

This staff report provides an informational presentation of Forest City's revised development plan for the Waterfront Site, and coordinated planning with Port and City staff for improvement of the Illinois Parcels. At the March 10, 2015 Port Commission meeting, Forest City will present its revised proposed land use plan for the Pier 70 Special Use District. These development efforts, in concert with separate Port projects to create Crane Cove Park, renew a lease with BAE Systems to continue and improve Pier 70 ship repair industry operations, and partner with Orton Development Inc. to rehabilitate the 20th Street Historic Buildings reflect the Port's collective efforts to meet the land use and policy priorities of the Port's Pier 70 Preferred Master Plan published in 2010.

Proposition F

As described above, Proposition F (November 2014), the Pier 70 Development Site Height Increase², was drafted by Forest City as a response to Proposition B (June 2014), Voter Approval for Waterfront Development. Effective after the completion of environmental review pursuant to the California Environmental Quality Act ("CEQA")

² A copy of the text of Proposition F can be found at:
http://sfpl4.sfpl.org/pdf/main/gic/elections/November4_2014.pdf

and Port Commission approval of a project that is consistent with the measure, Proposition F amended the San Francisco Planning Code by changing Zoning Map Sheet HT08 in the Planning Code to reflect the following change:

Description of Property	Height and Bulk District to Be Superseded	Height and Bulk District to Be Approved
The property in the area generally bounded by Michigan Street to the west, 22nd Street to the south, 20th Street to the north and one hundred feet landward of the San Francisco Bay shoreline to the east, as shown on the map attached hereto (see Exhibit B), being a portion of Assessor's Blocks 4110, 4120, 4111 and 4052	40-X	90-X

Proposition F also included a statement of the voters' findings and purposes including:

- Revitalizing the Waterfront Site, a former industrial area currently consisting of asphalt lots and deteriorating buildings behind chain link fences that prohibit public access to the waterfront and providing site improvements;
- Establishing nine (9) acres of waterfront parks, playgrounds and recreational facilities on and adjacent to the Waterfront Site;
- Creating 300 to 600 new affordable middle-and working-class homes, comprising 30% of all new homes, a majority of which will be rental housing;
- Guaranteeing public access to the new waterfront parks by setting new buildings back at least 100 feet from the shoreline;
- Restoring and reusing currently deteriorating historic structures that are contributors to the Union Iron Works Historic District;
- Modifying the site zoning to adjust the height limit to 90 feet, which is lower than the tallest point at the tallest historic building already at the Project Site;
- Providing new and renovated space for arts, cultural, non-profits, small-scale manufacturing, local retail and neighborhood services;
- Preserving the Noonan Building artist community in new state-of-the-art, on-site space that is affordable, functional and aesthetic, with rental rates based on the Port's rental rates for the Noonan Building;
- Creating an estimated 10,000 permanent jobs and 11,000 temporary construction jobs;

- Investing over \$200 million in improvements in transportation and other infrastructure critical to serving the Project Site, the new Historic District, the historic ship repair operations and the surrounding neighborhood, including protecting this portion of the City's shoreline from sea level rise;
- Generating approximately \$15 million in revenue to support the rebuild of public housing facilities, such as the nearby Potrero Annex and Potrero Terrace public housing communities; and
- Reviving the Waterfront Site with an integrated and complementary mix of parks, housing, local retail, arts light industrial and office uses, with benefits paid for from revenues created by the project.

As described above, Proposition F only becomes effective 1) after environmental review of the proposed Pier 70 SUD is complete, and 2) the Port Commission approves a project consistent with the 90' rezoning of the site.

Illinois Parcels

The Waterfront Site is adjacent to approximately 7 acres of the Pier 70 area, located along Illinois Street, between 20th and 22nd Streets. The Illinois Parcels include the Port-owned 20th/Illinois Parcel and a 3.6 acre PG&E-owned parcel (the Hoedown Yard), which the City has the option to purchase from PG&E. The City and Forest City do not propose increasing the height of these parcels beyond the 65' height which was overlayed along Illinois Street by the Eastern Neighborhoods Plan in 2009. The City proposes to increase the height of the Bayward (eastern) portion of the Hoedown Yard from 40' to 65'; this proposed height increase does not require voter approval because the site is not owned by the Port.

Pier 70 Special Use District

Forest City has been working with Port and City staff to take a holistic approach to develop an integrated land use, design and zoning strategy for the Waterfront Site and Illinois Parcels. This work has led to the proposal to create a Pier 70 Special Use District (SUD), which would be compatible with the zoning and improvements underway by Orton Development Inc. for the 20th Street Historic Buildings, continued ship repair operations by BAE Systems, and public open space to be created at Crane Cove Park. The proposed Pier 70 SUD would consist of the following:

The Pier 70 SUD is a multi-phased, mixed-use development with a total area of 35 acres that envisions a dynamic urban district in which historic resources are imaginatively repurposed in the southeast corner of the approximately 66-acre Port-owned area known as Pier 70. The Pier 70 SUD includes two distinct parts. The first is an approximately 28 acre site (the "**28 Acre Site**") located between 20th Street, Michigan Street, 22nd Street and the San Francisco Bay. All future development at the 28 Acre Site will adhere to the policies and priorities enacted by the San Francisco electorate as part of Proposition F (November, 2014).

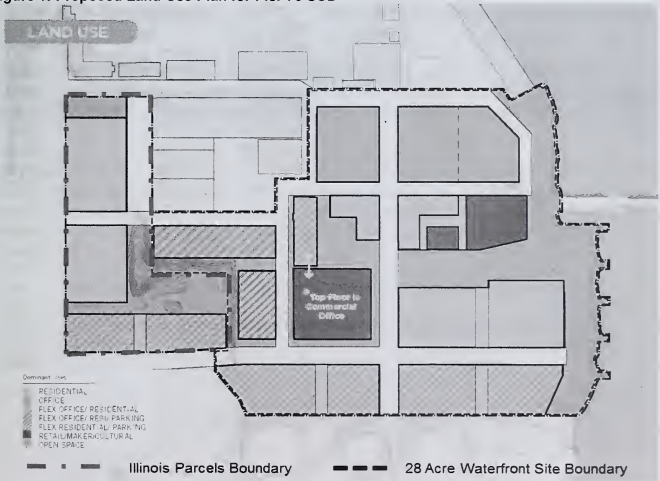
PG&E-owned parcel at Illinois Street and 22nd Street (the “Hoedown Yard”) and a remnant of Michigan Street. The eastern boundary of the Pier 70 SUD is adjacent to the San Francisco Bay.

The Pier 70 SUD includes a flexible land use program, with both maximum residential-use and maximum commercial-use scenarios. Both scenarios would be fully analyzed in the project’s Environmental Impact Report. Under all scenarios, the total above-grade construction would not exceed 3,500,000 GSF at the 28 Acre Site and 801,000 GSF at the Illinois Parcels, excluding parking.

The Pier 70 SUD would create a new nine-acre waterfront open space network that is intended to: (a) complement waterfront improvements outside of the Pier 70 SUD that include the new Crane Cove Park; (b) extend the Blue Greenway and Bay Trail through the southern half of Pier 70; (c) celebrate the industrial history of the site; and (d) establish a unique, urban waterfront with a local character that is activated by the uses in the buildings adjacent to the open spaces. Key components of the open space program would include a courtyard-type open space (Market Square); an open-space zone connecting the 28 Acre Site’s existing buildings to the waterfront (Slipways Commons); a playground area adjacent to the existing Irish Hill (Irish Hill Playground); and a plaza at Illinois Street and 20th Street at the entry to the site, which allows unobstructed views of Building 113 (20th Street Plaza).

The proposed Pier 70 SUD will include zoning for the Waterfront Site and the Illinois Parcels, as shown below:

Figure 1: Proposed Land Use Plan for Pier 70 SUD



Analysis of Total Development Potential

Table 1: Total Leasable Development Program, Pier 70 Waterfront Site by Plan Iteration

Plan Iteration	Gross Leasable Area (SF)	Area by Use (SF)			
		Fixed Commercial	Fixed Residential	Fixed Retail/Creative	Flexible Use
Port 2010 Preferred Master Plan	Approx. 2 M	1.68 M		259 K (Commercial/Retail/PDR)	
2013 Term Sheet	Approx. 3.2 M	2.18 M	804 K	264 K	General Flex Use Concept
2015 Proposed for Environmental Review	Approx. 3.4 M	1.09 M	956 K	468 K	928 K (Commercial or Residential)

The 2013 Term Sheet between the Port and Forest City contemplated heights of up to 230' in some locations of the Waterfront Site. Proposition F set maximum heights for the site at 90' – a height that is consistent with the Port's site massing exercises which were contained in the Pier 70 Preferred Master Plan.

Table 1 above indicates that height is not determinative of the total development program on its own, and Forest City and the City will study a total development program for the Waterfront Site that is consistent with the assumptions underlying the 2013 Term Sheet.

As noted above, the Pier 70 SUD includes the Illinois Parcels. The City and Forest City do not propose increasing the height of these parcels beyond the 65' height which was overlayed along Illinois Street by the Eastern Neighborhoods Plan; the Pier 70 SUD proposes to increase the height of the Bayward (eastern) portion of the Hoedown Yard from 40' to 65'.

Table 2a: Illinois Parcels Proposed Development Program – Max Residential

Illinois Parcels Proposed Development Program – Max Residential Program	
Proposed Use	Gross Leasable Area (SF)
Residential	760,000
Commercial	6,600
Innovation, Retail and Arts	34,800
Total	801,400

Table 2b: Illinois Parcels Proposed Development Program – Max Commercial

Illinois Parcels Proposed Development Program – Max Commercial Program	
Proposed Use	Gross Leasable Area (SF)
Residential	473,000
Commercial	238,300
Innovation, Retail and Arts	50,070
Total	761,370

The Term Sheet contemplated that both of these sites would be rezoned by the Pier 70 SUD. The Illinois & 20th Street parcel plays a unique and important role in the financing structure of the Term Sheet endorsed by the Port Commission and the Board of Supervisors in that this site will be competitively bid and sold as soon as practical after environmental review of the Pier 70 SUD and the project is complete and the rezoning is approved by the Planning Commission and the Board of Supervisors. Proceeds from this sale will assist the Port in paying Forest City a return of and on its predevelopment risk capital to entitle the Pier 70 SUD on terms described in the Term Sheet.

The Hoedown Yard is subject to an Option Agreement between the Port and Pacific Gas & Electric Company, under which the City has the right to rezone the site and a transferable right to purchase the site for \$8.3 million. The Mayor and the Board of Supervisors have determined that any profit from the purchase and sale of the Hoedown Yard will benefit the Hope VI rebuild of public housing facilities such as the nearby Potrero Annex and Potrero Terrace communities.

Next Steps

Port and Office of Economic and Workforce Development staff are still working through the financial implications, and potential mitigations, of the revised development plan. Staff will report back to the Commission once these analyses are completed.

Additionally as of this report, the parties project the following key milestones for the EIR:

Notice of Preparation:	April 2015
Notice of Preparation Public Hearing:	April-May 2015
Draft EIR:	Late 2015/Early 2016

The EIR process will provide the public and decision-makers with an opportunity to review the technical details of the project and potential environmental impacts, and provide the public with opportunities to comment on the proposed Pier 70 SUD.

During the period of environmental review, Forest City and City staff will:

- Continue public outreach and engagement regarding the proposed Pier 70 SUD;
- Develop proposed design controls and guidelines for buildings and public realm improvements that can be adopted as part of the SUD;

- Coordinate site infrastructure planning, including site design to respond to projected sea level rise, with affected City agencies, including the San Francisco Public Utilities Commission, the San Francisco Planning Department, the San Francisco Municipal Transportation Agency, the Department of Public Works and the San Francisco Fire Department.
- Pursue site-wide coordination with BAE Systems, Orton Development, Forest City and existing Port tenants at Pier 70 that may be required to relocate to accommodate phased development of the area.

Prepared by: Brad Benson, Port Director of Special Projects
David Beaupre, Senior Waterfront Planner

For: Byron Rhett, Port Deputy Director
Planning & Development
Ken Rich, Office of Economic and Workforce
Development, Deputy Director of Development

Exhibits:

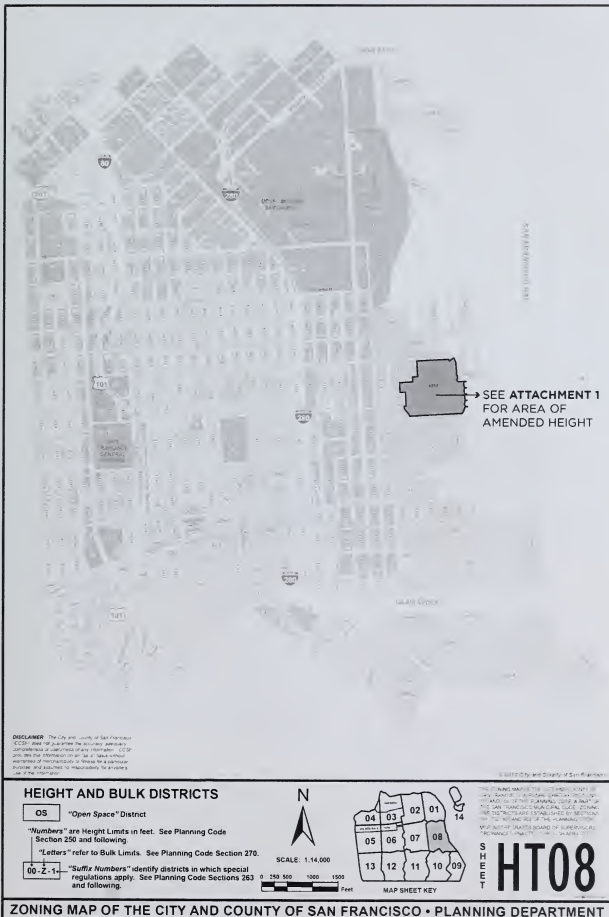
- A: Map of Waterfront Site
B: Pier 70 Zoning Map



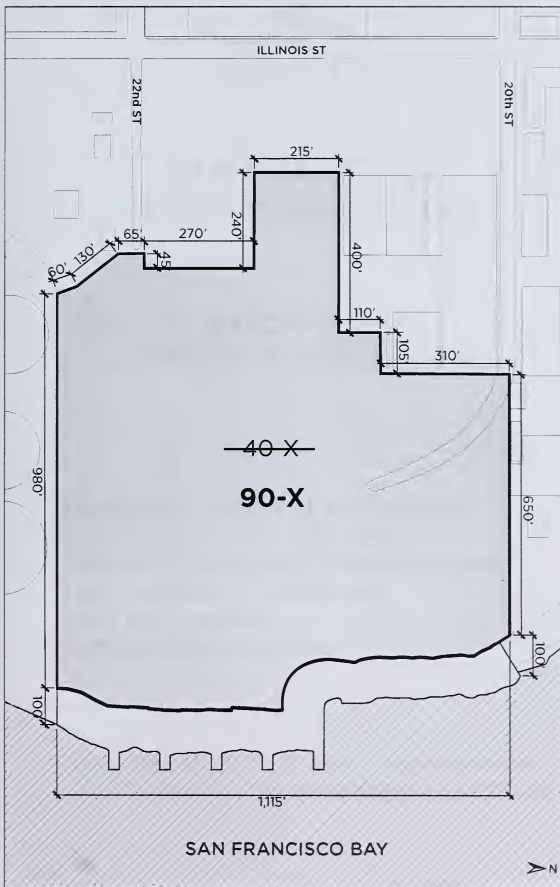
EXHIBIT A - SITE MAP PROPOSED WATERFRONT SITE SPECIAL USE DISTRICT - PIER 70 PORT OF SAN FRANCISCO

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EXHIBIT B



ATTACHMENT 1: HEIGHT RECLASSIFICATION MAP



ALL DIMENSIONS ARE APPROXIMATE



SAN FRANCISCO PORT COMMISSION

**MARCH 10, 2015
MINUTES OF THE MEETING**

**MEMBERS, PORT COMMISSION
HON. LESLIE KATZ, PRESIDENT
HON. WILLIE ADAMS, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. MEL MURPHY
HON. DOREEN WOO HO**

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**MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY**

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING MARCH 10, 2015

1. CALL TO ORDER / ROLL CALL

Port Commission Vice President Willie Adams called the meeting to order at 1:35 p.m. The following Commissioners were present: Willie Adams, Kimberly Brandon, Mel Murphy and Doreen Woo Ho. Commissioner Leslie Katz arrived at 1:40 p.m.

2. APPROVAL OF MINUTES – February 10, 2015

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. The minutes of the February 10, 2015 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

The Port Commission Secretary announced that the Pier 38 item in executive session has been taken off the calendar.

At 1:35 p.m., Port Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: Pier 31½ deck, Pier 31 and Pier 33 bulkheads, and a portion of Pier 31 shed
Person Negotiating: Port: John Doll, Project Manager
*Negotiating Parties: National Park Service: Frank Dean
- b. Property: Pier 38, located at Delancey Street and The Embarcadero

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development; John Doll, Project Manager
*Negotiating Parties: TMG Pier 38 Partners, LLC; Michael Covarrubias - THIS ITEM HAS BEEN TAKEN OFF THE CALENDAR

- c. Property: A portion of AB 4110, lot 1, also known as 901 Illinois Street, near the intersection of Illinois and 20th Streets
Person Negotiating: Port: Brad Benson, Director of Special Projects
*Negotiating Parties: Forest City Development California, Inc.: Jack Sylvan

(2) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTER (Discussion)

Discuss existing litigation matter pursuant to California Government Code Section 54956.9(a) and San Francisco Administrative Code Section 67.10(d):

- a. Neighbors to Preserve the Waterfront; Friends of Golden Gateway; and San Franciscans for Reasonable Growth v. City and County of San Francisco; Planning Department of the City and County of San Francisco; Port Commission of the City and County of San Francisco; Board of Supervisors of the City and County of San Francisco, et al.; Superior Court of California, County of San Francisco (Case No. CPF 12-512356), filed July 23, 2012.

Ferry Building Investors, LLC and Ferry Building Associates, LLC v. San Francisco Port Commission; City and County of San Francisco; Board of Supervisors of the City and County of San Francisco, et al.; Superior Court of California, County of San Francisco (Case No. CPF 12-512355), filed July 20, 2012. [

Defend Our Waterfront v. California State Lands Commission; City and County of San Francisco; Port Commission of the City and County of San Francisco, et al. (Case No. CGC-12-512509; Appeal No. A141696), filed September 25, 2012.

5. RECONVENE IN OPEN SESSION

At 3:37 p.m., the Commission withdrew from closed session and reconvene in open session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to not disclose any information discussed in closed; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS: The Port Commission Secretary announced the following:

- A. Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Leonid Nakhodkin - I'm the President of the United Humanitarian Mission. This year many countries will celebrate the 70 year anniversary of the end of World War II. From the San Francisco Bay shipyards, especially constructed Liberty ships sailed to Vladivostock, Russia who battled against Nazi Germany. It carried million tons of civilian and military goods. However, in San Francisco, we do not have a special historical site in commemoration of this event. Our organization will create the memorial plaque and place this plaque in Pier 7, in our Port, commemorating this anniversary. Many organizations support our initiative like the Veteran Association in San Francisco and the Government of Russian Federation. We have technical and financial support of this project. I hope the Commissioners and the administration of the Port support our initiative. I hereby present the proposal that I prepared for the Commissioners.

Commissioner Katz - Thank you for doing this.

Monique Moyer - I have it already but I haven't analyzed it yet.

9. EXECUTIVE

A. Executive Director's Report

- Port Cruise Terminal Team – Winner of Public Managerial Excellence Awards – March 11, 2015 at 5:30 p.m., North Light Court, City Hall

Monique Moyer - We have a good agenda, so it's great to see so many people come out to participate. The first item that I have is a bit of exciting news. Tomorrow night, a group of Port staff will be honored at the 34th Annual Municipal Fiscal Advisory Committee Good Government Awards.

This is a group that was started under then Mayor Dianne Feinstein which every year recognizes City managers, not City projects, but the actual people themselves, who do projects or improve services or operations in some way and who show exceptional leadership, vision and make a difference to the community and the city at large.

This year I was privileged to nominate five outstanding Port managers who worked as a fiscal unit, to finance and operate the new James R. Herman cruise terminal at Pier 27. They are Elaine Forbes, Meghan Wallace, John Doll, Peter Dailey and John Davey. The award will be bestowed upon them tomorrow evening at 5:30 at City Hall. Again, it's a Good Government Award for the Municipal Fiscal Advisory Committee. They are being recognized for their various participation in the cruise terminal plan.

Elaine Forbes is being recognized for her evolution of a plan of finance which continuously evolved. As you recall, she worked on various financing strategies including the issuance of both City and Port bonds.

Meghan Wallace is being recognized for her incredible budget management and cost valuations and her work with the engineering team to keep costs on budget.

John Doll was the Co-Project Manager and he created a viable plan that took the part-time use of cruise and married it with events and parking use to fully optimize the facility.

Peter Dailey and John Davey created numerous efficiencies to retain the facilities core use as a cruise ship terminal but also to be able to have the project be LEED certified for environmental stewardship and also the tough task of getting our cruise shipping customers to pay more to afford the terminal. We're very proud of them and I would invite you to join me in recognizing them with a round of applause.

- Port of San Francisco Membership in World Free Zones Organization

Monique Moyer - The Port of San Francisco has been accepted to become a charter member of a new entity known as the World Free Zones Organization. Our application was accepted in late February and I want to thank Jim Maloney for his efforts on this.

The World Free Zones Organization is brand new. It's a comprehensive organization to deal with free and foreign trade zones in their forms all over the world. The organization was incorporated in Geneva, Switzerland last May and will be headquartered in the Dubai Airport Free Zone and generously it is being underwritten for the first three years by the government of Dubai.

The purpose of the World Free Zones Organization is to share knowledge, to establish a database of world trade and world free zones around the world, to create networking opportunities and offer education and training, but most importantly to become a united voice for free and foreign trade zones throughout the world.

More than 100 members have joined the World Free Zones Organization in just less than a year, and the Port of San Francisco is a chartered member. World Free Zones play an important world in the global economic development and commerce so we're happy to be part of this. We're really thrilled that our first year membership is free thanks to the generosity of the government of Dubai. Thank you Jim, for keeping us at the forefront of World Free Zones and we look forward to hearing more as this organization matures.

- MV Carnival Miracle Ship Repair Call – March 8-18, 2015 at Pier 70

Monique Moyer - As many of you might have caught on the news that the MV Carnival Miracle is in Pier 70 for a Ship Repair Call. It will be there for approximately 10 days. She came in on March 8th and is due to depart on March 18th. The Carnival Miracle is a ship which went into service in 2004, so she's about 10 years old. She carries on average of about 2,100 passengers and 900 crew. She is coming in for a regularly scheduled maintenance and refurbishment job at the BAE Shipyard at Pier 70. The repair job will produce approximately 30,000 hours of local labor as well as another 30,000 hours of regional subcontractors. We're really pleased to have the work and it shows that our drydock is still very much attractive to our cruise line business and we're pleased about that.

- 1915 Panama-Pacific International Exposition 100th Anniversary – February to December 2015

Monique Moyer - I hope all of you have had a chance to see the beautiful lights on the tower of the Ferry Building commemorating the 100th Anniversary of the 1915 Panama-Pacific International Exposition. If you haven't, catch it on your way out, with Daylight Savings it might not be dark yet when you leave. It is absolutely gorgeous and it was generously underwritten by a number of sponsors in order to be back up as it was lit 100 years ago from February to December in 1915. As you probably know, the Panama-Pacific Exposition was a big celebration, to tell the world that San Francisco was back open for business following the 1906 earthquake. Actually the Panama Canal opened in August of 1914 and the Port had a ship that went through the Panama Canal in August of 1914, which saved almost 7,000 miles. It reduced the trip from San Francisco to New York from 13,000 miles and change to 5,000 miles and change which was a really big deal. From that opening of the Panama Canal, the Port expanded dramatically both to the south and to the north with all the piers that we know and love today. It's a really bright spot in the Port's history as

well as the city's history. We thank all of the non-profits and the organizers for coming together to put the lights back up on the Ferry Building and we hope you get a chance to enjoy them.

- Commendation for Mauricio Rodriguez, Storekeeper, on his retirement

Monique Moyer - Mauricio is retiring effective the 21st of March, although he has already left the building, as they say. Mauricio has worked for 32 years at the Port and 33 years total at the City. Mauricio started with the City as a food service worker at Laguna Honda Hospital. He served as a clerk in the tax collector's office and then as a clerk at the San Francisco Unified School District before he came to the Port as a clerk 32 years ago. Mauricio has been an exceptional employee in every way. I think he knows every single person's name at the Port from the President on down to the cleaning staff and the security guards who actually work for Prologis.

He is a resource for everyone and he wins the award for the employee who travels the furthest to get to work. Believe it or not, Mauricio travels roundtrip 214 miles per day, so the next time you all are complaining about your commute, you can think about Mauricio travelling 214 miles per day. Mauricio got up each day at 3:30 AM and took three modes of transportation to get to work, car, bus and BART. I took BART in the crazy, wonderful, delayed commute yesterday, and I don't know how he did it for 32 years, but he did so kudos to you Mauricio.

Despite all that, Mauricio was in the office at 6:45 each morning. No matter what happened on his commute, he was sunny and friendly and was there to be the first one to welcome people into the building every day and he became a favorite among Port staff but also among visitors to the waterfront. He has received numerous awards over the years, a total of four of them. He has just been a great friend to all of us and has serviced everything from this room to all of the meeting rooms.

Because of Mauricio, our jobs have been easier and we've been able to show off our Port and welcome visitors and VIPs with great pride. We will really miss you Mauricio. Probably Manny who's picked up a lot of Mauricio's duties will miss him the most.

I want to welcome you to the next chapter in your life as a retiree who gets to exercise regularly and play with his grandchildren and maybe take just one mode of transportation per day. Thank you for coming back today to join us, and if you all will join me in a round of applause for Mauricio.

Commissioner Katz - I would like to take a moment to echo the words of Executive Director Moyer about seeing Mauricio's smiling face every time I come down to the Port offices. I know you will be sorely missed. It's been so important for, not only for all of our staff and all of us, but all of the

visitors to the Port when they come to our facilities, one of the first people they see is Mauricio. He's always conveyed this sense of pride and joy in the Port and I know that's been infectious to all of our visitors.

I for one will certainly miss seeing you smiling and greeting me every time I come by the offices. I know so many others will definitely miss having you there, but can certainly understand your not wanting to do that 200 mile plus commute every day. We thank you for doing it for so many years and with just such style and joy and graciousness to all of us. Thank you.

Lavena Holmes - I'm standing here on behalf of Elaine Forbes, our Deputy Director of Finance and Administration who wanted me to express her best wishes to Mauricio on his retirement.

A couple of things I found interesting, is 1983, Mauricio started with the Port, was the year great technology -- it was the year of the first mobile phone, the Internet was created, Microsoft Word was released and it was the first flight of the space shuttle Challenger. Aa lot of great firsts. It was a great time for the Port when Mauricio came.

Just to echo you Commissioner Katz, Mauricio's the first face that I would see in the morning. When I come in, he's just always so gracious, so kind, very soft spoken, kind hearted and a real gentleman. We will miss him. We wish him well in his retirement. Thank you.

George Onyemem - I'm here to talk about Mauricio since he decided to retire I suppose. I had to write some things up because there is so much I have to talk about and I don't know where to start. When I joined the Port many years ago, Mauricio had already clocked 10 years with the Port. I remember very vividly how he took me around on my first day, introducing me to everybody at the Port, including maintenance. Showing me places around here where I could get cheap lunch, because things are very expensive around here. I really appreciated that because that has helped me all this time I have been here. Mauricio actually does this for everybody who comes on to the Port. As people come on, he gets friendly with them and shows them how to navigate the Port and all that stuff engendered good feelings among all the people he has met. No wonder he has so many friends all over the place. I consider myself one of those friends.

Mauricio's responsibilities at the Port put him just about every corner of the Port. He was responsible for ordering/distributing office supplies, checking to make sure copy machines and everything is working fine, working with the vendors to make sure we received what we got. He also helped in setting up for various meetings including this one. Sometimes you don't see him here, but he does it in the background. He does it early before everybody gets here and he is back at Pier 1.

He also helps with A/V connectivity. He also helped with maintenance of the pool vehicles by reporting issues to the Maintenance Division and keeping the vehicles clean and fueled. Although his title says, "Storekeeper," he did very many things for the Port. He was very focused on doing things for the benefit of the Port at all times.

You may have seen him at the reception desk. That's because he gets here very early, before all of us. If we are running late, he sits at the reception desk. Sometimes he's there covering for sick workers. One thing is if you called the reception desk when he was there, you will hear something. I'm going to try to imitate his accent here. He would say, "This is the Port of San Francisco. May I help you?" That never failed. That was the sentence he always used. The, "May I help you?" is emblematic of what he is. He likes to help people. He helps everybody that comes around. He's very generous with all of us. He was quite considerate of all our co-workers. He has won commendations as the Director mentioned and this is one of them. I think this was the latest one he got.

He has this rare ability to switch between activities and everything. One minute he's at the reception desk. The other minute he's moving things out the back. He's at City Hall delivering something. He was very needed and he did very well. Mauricio will always walk in my office very often, he would say, "Mr. George, sorry for the interruption." And I always turn around and look at him and say, "Well, you are not sorry really because, you did this yesterday and the day before." So that was something we had going.

After you've worked with someone for 20 years, I work with him directly, you must have some complaints. One of them I have is that Mauricio called me Mr. George from the very first day I got here. He continues to call me Mr. George today, even away from the job. That shows the kind of respect he has for people. But now that he's no longer working here, and we're no longer co-workers, we are practically friends, I think you should drop the "Mister" and call me "George." If you don't, I will call you, "Mr. Mauricio" from now on.

Finally, I want to thank Mauricio for making my job easier all this time, over the long haul. Mauricio you will be missed. I wish you and your wife Myra, the very best in your retirement.

Patricia San Agustin – You guys are saying Mauricio "will be missed." We are actually missing him. He's been gone since January, so every day we come to work, Mauricio, we feel you not being there and we miss you a lot. I received the same kind of treatment my first day. He showed me around and introduced me to everybody and made me feel very welcome. He's continued that sort of treatment for everybody from day one.

Mauricio's always been a team member. That's one of the things that I've always appreciated about him. He'll always say, "I don't need a lunch. I'm here for you. If you need anything, I'm here." Mauricio was that kind of person. If you needed him, if he needed not to eat all day, he won't eat all day but we made sure he ate.

Mauricio, there's really nothing else I can really say but I appreciate the eight years we worked together. We love you. We miss you. We wish you'd change your mind, but we know you're not. Congratulations to you and your wife, and to your family as well because now they get to enjoy you.

Josephine Fung - Ditto with what Patricia said. We miss you. We hope you change your mind. Thank you for all your help with me at the front desk all through the years. I really miss you and I still have the chair saved up for you in case you change your mind.

Manny Pacheco - I want to take the opportunity to thank Mauricio for every single thing he's done. He's a great friend, a great co-worker and a wonderful human being. When I came to the Port, he showed me a lot. As he was getting closer to his retirement, he started showing me the ropes for his position. I think I'm doing a good job, but I miss him a lot. It's a great, great thing that he's enjoying his retirement with his family.

Veronica Sanchez - It's a tall order to try to channel Jimmy Herman before this Commission but I feel compelled to do so because Mauricio has the values of Jimmy Herman and embodies so much of his traits. I feel like Jimmy's in my ears saying, "Stand up and say some good words for my dear friend" because they were very good friends. They spent a lot of time together. If there's one person that I've had the privilege of knowing that definitely exemplifies that respect, that spirit of service that Jimmy was known for, it's Mauricio here at the Port. At his retirement luncheon, we gave him a Local 34 hat that I was able to get from President Sean Farley and that's no easy thing to get a Local 34 hat, when you're not an ILWU Local 34 member. But they did give it to him because of his amazing service and as Jimmy would say, "He's a good hard-working stiff." We wish him the best and lots of years of enjoying his retirement after all the hard work he's done. Thank you very much.

Phil Williamson, Port's Planning and Development Group - Thank you for the opportunity to wish Mauricio a very happy retirement. I wanted to say my recollection of him is very similar to what everybody else has shared today. The word that comes to mind is "constancy." Always here, always ready to help. I owe a lot of my successes over the days to Mauricio for being there to support me. He supported many others at the Port as well. The Port will not be the same without Mauricio and we're going to miss you. We'll carry on, but please come back.

Gerry Roybal - I've been with the Port 21 years, eight months and 13 days. From the very beginning, the very earliest days, Mauricio was not only polite and pleasant but extremely helpful getting me oriented and acclimated at the Port. In the last 21 years, what I've grown to really appreciate the most is not only what everybody else has already said, but "pleasant" is definitely a key descriptor for Mauricio but more importantly I think it's, "personable."

I've grown to see that Mauricio appreciates and respects people for who they are, not what they are. It's a very valuable lesson to me and I remember there was a time when Gene Gartland who was our Executive Director in the early 1980s out of the Dianne Feinstein administration. Those were the years 1981 and 1982 when the Port was taking over land and assets that belonged to Bethlehem Steel and they were now land and assets of the Port.

My primary function as Maritime Marketing Manager is to enforce and oversee the shipyard lease. Gene Gartland in the last year of his life, because his life was in decline, Mauricio had struck up a relationship with Gene. Mauricio wanted to go see Gene and visit with him. He asked me, because of his commute schedule, he wanted to do it during his lunchtime but it had to be within an hour. He asked me to drive him so that he could maximize his time with Gene and so I did.

As a result, I actually had the opportunity to visit with Gene probably half a dozen times. I learned a lot from Gene. I learned a lot about the insights about the shipyard operation, why it came out to be what it is and also it was a great history lesson that has helped me better do my job at the Port.

It's this level of relationships that Mauricio has, his uncanny ability to develop that I most respect and I'm not going to say, "I'll miss," because I'm sure we'll cross paths again but thank you very much Mauricio.

Amy Quesada - I want to add my thanks, my love and my kudos to Mauricio for all that he has done all these years. He too has done the same thing for me. Myra, thank you for having to share Mauricio with us here. We wish you the best of luck in your retirement and I'm sure we'll see you again. We really do miss you.

Commissioner Brandon - After all that, I think I'm going to start crying. I want to thank you as everyone has said. I don't think I've been to the Port offices without seeing your smiling face. You have just been so wonderful, so kind. I want to congratulate you on your retirement and wish you lots of luck and thank you for everything that you've done.

Commissioner Adams - Mauricio, I wanted to personally say that you're a fine individual. You're a fine man. I'd see you, we'd talk, but to hear all these people say all these kind words and nice words about you, it speaks

to the character and the soul that you have. To make that commute, most people wouldn't do that but your dedication to this Port and to everyone's life, that's the greatest attribute people can have in life. It's not the material things that they have. It's the impact that they leave on people's lives. You've left an impact on everyone's life. You've clearly left an impact on my life and to continue, for me to be a better Commissioner. I want to say to you and your family, "Please enjoy your retirement, you only live once" and thanks again.

Commissioner Murphy - We all should have a Mauricio in our life. I know I certainly do. It's great to see people talk and comment on the life you lived working at the Port. You obviously walked as you talked and I have a great respect for that. I wish you a lot of luck and maybe you might consider coming back for another five years.

Commissioner Woo Ho - Mauricio, congratulations on your retirement! It's very clear you've been the mascot for the whole entire Port. You're the cheerleader that keeps everybody going every day and that's wonderful to hear and see and that you've touched so many lives at the Port which is the spirit. That affects us as Commissioners to know that the spirit of the team and the team workers and your team members can be sparked by one person. I hope that spirit lives on with you and, even though you're not here every day, that we're going to continue to keep that. What we've heard from all of your team members that that's so important because that's what makes life worthwhile is having that feeling of worthwhile every day, coming in and seeing your smiling face. Thank you very much for the legacy that you've left us.

Commissioner Katz: - Mauricio, you're blessed in life to be able to have the opportunity to hear how many people you've touched with just your being, your integrity, your kindness and thoughtfulness. I hope you really appreciate that you have made such a difference in so many lives by being who you are and the big and small acts that you've done. It's a wonderful thing to hear that so many people have such respect and genuine love and admiration for you.

You truly will be missed here at the Port. We want to congratulate you on your retirement. As I've often said, the Port has the best staff in the city and I can't think of anyone who embodies that more than you have Mauricio. Thank you for all of your work. If my colleagues will join me, I have a little presentation to give to you. I'll read it into the mike. Thank you for 32 years of outstanding service, February, 1983 to March, 2015.

Mauricio Rodriguez - Thank you very much. It's been my pleasure working for the Port. I want to thank everybody for being here. It's a very special day but I have to give the credit for God. People ask me, "How did you do it?" I don't know how I did it but I knew, I know God sustained me and of

course, the love of my wife, her support. I could have never done it without her help. Thank you again, and I will be in touch. It's been a pleasure.

- Commendation for Jay Ach, Regulatory & Environmental Affairs Manager, on his retirement

Monique Moyer - Congratulations and thank you Mauricio. We have several retirements, but we have another one today which is also painful for all of us. Jay Ach is our Regulatory and Environmental Affairs Manager has been with the Port since 2000. Jay is another young guy who is moving on to retirement up north with his beautiful wife Karen.

Jay has had a number of firsts with the Port and he too has been recognized with five recognitions and a couple I want to draw attention to. First off, Jay is the circus master for the Port's Shoreside Power Systems, first at Pier 27 and second at Pier 70. He participated and had the vision for and the leadership for doing something that was environmentally friendly with our cruise industry when we were first working on a cruise ship terminal back at the Pier 30/32 concept probably a decade ago which ultimately found its way into a Shoreside Power System at Pier 27.

When he got that done after a long and tortuous route, he worked with Brad and others to do something similar at Pier 70. We are just incredibly proud of that effort, not just because we were first in California but also because as you saw at the last meeting, that it has produced incredible results in our reduction of our emissions which we are very dedicated to. First and foremost Jay, thank you for that.

The other thing that really stands out in my mind is that Jay was one of the amazing responders to the Cosco Busan oil spill. It happened fairly early in the business morning, but its effects went on for quite a while. If I recall correctly, Jay dispatched himself up to Aquatic Park and quickly tried to get a grasp on what was happening to the marine environment as it related to the oil spill based on what he was finding on the beach, and quickly started relaying back evidence that it was moving quickly and not good for aquatic life or for beach life. It was a really tough day for a number of reasons and I'll never forget your leadership in that regard, Jay. I really appreciated your guidance and your thoughtfulness and your dedication to doing what was right by the environment and not what was right for you personally.

He's some sort of magician when it comes to getting permits for dredging. Dredging takes seven Federal, State and local permits, something really crazy and obnoxious. It seems to be a really personality driven business and Jay apparently has some sort of ability to sweet talk regulators into seeing things his way, sometimes not on the first try, I've noticed. Sometimes "sweet" isn't always the word we would use. Nonetheless, he has, as far as I know, always been successful in persuading his regulatory

colleagues to his point of view for the benefit, not just of the Port of San Francisco, but for other ports in the Bay and done right by the Bay. We have benefitted tremendously as has every species in the Bay. For all of that Jay, thank you.

Thank you as well for your mastery of photography. You have given us an amazing legacy of pictures you've all admired in your calendars, many of us have hanging in our offices. They have gone all over the world. You've been very generous. Your eye is an incredible view of just the mundane here at the Port and the architecturally fascinating as well as the folks that work here, not just Port staff but along the waterfront. We will miss all of that and try to figure out how to entice you back to help us with the next year's calendar, right Gerry?

On behalf of all of us, thank you so much. May you and Karen have an incredible next chapter of your lives as well and may you take a little of us with you on that journey. Please join me in thanking Jay.

Commissioner Katz - I still can't believe you're going. I said that when I first heard..

Peter Dailey - Before I get to Jay, Mauricio, buena suerte, mi amigo. I'll see you when we see you. You're a good friend and I'm going to miss you.

Jay started at 2000. Monique talked to you about his dredging responsibilities over the last 14 years. That's \$50 million of expenditures on behalf of the Port and seven different agencies and very successfully done. Over 3 million cubic yards of bay fill was taken care of to allow the ships to come in to our Port and to the commerce at the shipyard and at our cargo terminals.

First shore power in California, one of the first of the handful in the world -- Jay was the godfather for it. The results of that work, other than just saying we were the first in California, you saw the air inventory numbers from last month. Our air inventory, the bad stuff in the air has decreased by 50% or close to it. Those improvements will continue as a legacy of Jay's work. He represented the Port in numerous associations that none of us would ever want to sit through meetings with.

Monique talked about his photography. It's stunning. If you look on your calendar and you look at the bylines of who's photographs are taken, Jay is masterful. We all think we are with our phones, but Jay is really a great one.

Unlike many scientific types, he has a very good sense of humor and fun. He can explain scientific jargon in a very pragmatic way for my simple mind. I also understand he makes a very mean margarita, but I have not had the opportunity to have those yet.

This is actually a very sad day for San Francisco, and I'll tell you why. Jay is a registered professional geologist for the State of California, a very talented scientific guy. His wife is a professor, has been for 25 years at SF State in the Geology Department. The pun had to come, they're both rock stars. But for San Francisco, they're leaving. They're heading north up to Ashland and we all have a place to hang out when we want to go see the Shakespeare Festival, but it's a loss for our city. These two talented, bright individuals are moving up there. I'm going to miss his creativity, his humor. Jay, it's been a real pleasure to know you. Thank you.

Mike Nerney, Port Maritime Division - I've had the pleasure of working with Jay for the last 15 years. We've talked about dredging. We've talked about the cruise terminal. We've talked about Shoreside Power. We've talked about photographs but what you may not know is that Jay was the long-time coordinator of a Port Advisory Group called the Environmental Quality Advisory Committee, also known as EQAC, and that was later absorbed into the Fisherman's Wharf Waterfront Advisory Group, known as FishWAG so Jay and I had some connection there.

Besides the Port staff that are going to miss Jay, the baristas at Peet's in the Ferry Building are going to miss him as well. There were a group of us who are regular customers of Peet's coffee. The only problem is the people that work down there think his name is either Raoul or Guido because he never gave his real name.

I do have a letter here from Ellen Johnck who is the Co-chair of the Maritime Commerce Advisory Committee and she's in Washington D.C. so she couldn't be here. She asked me to express her appreciation and gratitude for everything that Jay has done throughout his career. Ellen was the founding Executive Director of the Bay Planning Coalition in 1983 and she worked on many projects with Jay for more than 20 years not only at the Port of San Francisco but also at the Ports of Oakland and Richmond.

Ellen praised Jay for "having an inspiring and creative mind and for his expert skills." She said that, "You were one of the early advocates of reusing sediment as a resource on land, from clean to challenged. I will always remember your giant feat of creating a parking lot with challenged sediment from the Santa Fe channel. Today this parking lot is an important asset for the Port of Richmond, the County and the region."

Ellen cited Jay's record of achievements, particularly in the areas of dredging and air quality. She wrote, "You have kept the Port's berths dredged to ensure that the Port's Maritime mission holds strong. You and I worked together and were instrumental in implementing the long-term management strategy for dredged material disposal. You were a supporter and sponsor of the Fast Track program for fish, reminding agencies of the importance of backing endangered species regulations with science."

Finally, in connection with air emissions, Ellen said of Jay, "You provided an important and strategic leadership for the Port in spearheading its air emission reduction program and encouraged other Bay Ports to do the same. You established a worthy example for all. Your success through a lengthy and complicated process in winning numerous grants for Shoreside Power both for Pier 27 and Pier 70 is outstanding."

Congratulations Jay, on your retirement.

Brad Benson - I'm going to talk about some of the things that people have talked about already, Shore Power. I had the great pleasure to work with you on the Pier 70 project, a little bit on Pier 27 but basically on Pier 70.

As a scientist, you've always been grounded in numbers and science and not rhetoric about environmental issues and that grounding led you to focus on the really big wins that we could make. If you look at the emissions reductions from those Shore Power installations in terms of tons of pollutants across a variety of pollutants that we need to control, it was huge.

Sometimes scientists like to battle. Consultants try to play sneaky games with the data and we had some contamination in the sediments off of Pier 70 and Jay was in a fight with a consultant working for a potentially responsible party, a utility that we know about. Managed to get the upper hand and avoided getting the finger of blame pointed at the Port for contamination that happened 100 years ago, could've been blamed on the industrial activities at Pier 70. Jay led us to hire experts from Wood's Hole to help fingerprint that contamination and make sure that the responsible party had to take responsibility in that regulatory process. You've done a wonderful service to the Port Jay and I just can't thank you enough.

John Doll - Jay, I'm going to miss you. I've been working with Jay for a long time. The first time was with the CTEAC, Cruise Terminal Environmental Advisory Committee, and we had a memorable eighteen months working together. It was actually a horrendous experience but it was a good experience because out of that process, Jay was able to develop the Shoreside Power concept. Which at that point, Jay took it on as a Project Manager and that was one of the most difficult projects ever at the Port. That really took a lot of determination and he got it done. I appreciate and I respect Jay's intelligence, his passion, his wry sense of humor, but what I'll remember most is he was one hell of a bocce ball player and I would nominate you to be in the Port's Bocce Hall of Fame. Thank you Jay, we'll miss you.

Commissioner Brandon - Jay, thank you so much for all your contributions to the Port and we're really going to miss your knowledge and your expertise but congratulations on your retirement.

Commissioner Adams - Jay, you know, you're a genius and a caring guy and a team player, but I'll have to share, but I won't drop any names. One night, a group of us outside of work were up in Sacramento. Jay, like myself, likes a good drink, good food and good conversation and that was a great night. We were a group of people, we were just sitting there, talking, having dinner, and knocking them down. Even though Jay's a genius, he's just a real down to earth guy. I enjoyed it. We were talking. He's very respectful. He's a guy that thinks out of the box. He's a progressive. Ashland, Oregon will be gaining a big guy by having you come up there. I really like hanging out with you and if I'm up that way, we're going to go down to the bar and we're going to knock a couple down and we're going to solve the world's problems. Thank you.

Commissioner Woo Ho - I want to echo everything that's been said and to thank Jay for all of your very valuable contributions and it sounds like you're not going to be an easy person to replace. You've helped us to make great strides going forward on Shoreside Power and a lot of other projects. Thank you so much and wish you the best on retirement.

Commissioner Murphy - Jay, you sound like a hell of a guy to hang out with, or should I call you Raoul or Guido? I wish you a lot of luck in your future endeavor.

Commissioner Katz - Jay, you've worked on issues that are very important and significant to me, so I've really followed all that you've brought to the Port. I can't begin to count the times that you've raised issues and articulated them, and a real talent is being able to take complex, difficult issues and put them in manageable, digestible, understandable pieces. You have the uncanny ability to take very dense information and make it understandable.

Certainly with Shore Power, everyone has spoken about your contributions to that but personally they're immeasurable and I don't think you'll ever have any idea how big an impact you've had, not just on the Port of San Francisco or even the Bay Area, but so much further. Because, as I've gotten more enmeshed at looking what other Ports are doing, you really started the ball rolling on focusing on Shore Power here and that has such a huge and significant impact on the environment. Your activities are felt positively much further than just here in our realm.

Again, your leadership on environmental issues goes without saying. I certainly will be very sorry not to have you around setting new policies, trends and fighting those regulators that you always seem to come out on the winning end of as I've now come to understand. It's all done because of your passion, caring for the environment. I appreciate what you've brought to your position and you've always done it in such a thoughtful, unflappable way.

You will definitely be missed. I do want to thank you for all of your service and congratulate you on your retirement and move to Ashland. I'm now going to think long and hard about a trip up to the Shakespeare Festival too. I have to have some of those drinks that Commissioner Adams was referring to. I also want to give you a plaque from the Port Commission with thanks and appreciation for your service. Congratulations and best wishes on your retirement.

Jay Ach - Commissioner Adams, first round in Ashland is on you this time. Working at the Port has provided great opportunities for me. The projects I've done, I never could've imagined walking in the door doing them, but there've been a number of things that have come along and I'm somebody who doesn't like doing the same thing twice and when there's a challenge I tend to go for it.

The Potrero sediments -- and I can name names because I'm retired -- with PG&E was kind of nightmarish for a long time. We ultimately prevailed, thanks to some help with the Chronicle and a front page article. Frankly, Shoreside Power, the first time at Pier 27, going into it I knew it was going to be the hardest project, most difficult project I ever worked on and unfortunately it exceeded my expectations. The number of different pieces that had to come together on that were pretty astounding.

The best part of it for me was that out of nearly a \$5 million project, we had about \$4 million of external funding, so the Port got a \$5 million project for \$1 million or a little bit less. And not only that, we beat L.A. by getting our system online about three or four months before they got theirs online that they paid \$15 million for.

Thank you for the opportunities to work on a bunch of fascinating projects, to get involved with City government on a number of levels, to get involved with way too many State, Federal and local regulators, but also positively, to get involved with the maritime industry in general. I gave a talk at San Francisco State last Tuesday on maritime air pollution and how the ports and the maritime industry have responded to those issues and the maritime industry is fascinating.

I described it to people as being a secret society. It's huge. It's out there. Nobody really understands that almost everything in their house was on a ship at some point, that in the U.S. 80% of products were in a ship at some point. The ports, the maritime industry, the ILWU, are all profoundly important in making that part of our economy happen even though it all happens in the background. Getting to appreciate that and get to know people on the shipping side and at ports, not only throughout California but up and down the West Coast and also the East Coast, has been really great. I'm very appreciative for all those opportunities. Thank you.

B. Port Commissioners' Report

Commissioner Katz – First, I want to echo the congratulations to Elaine, Meghan, Peter, John and John for their MFAC awards tomorrow evening. It's so well deserved. Thank you, Director Moyer for nominating them. Good choices, and we're all very proud of the team there.

Second, the James R. Herman Tribute will take place on Thursday, March 26, 2015 so people are invited to come and see the unveiling of the interactive art that Veronica mentioned in acknowledging Mauricio - the late Jimmy Herman, one of our former Commissioners and member of the ILWU and all around fabulous person. It's a tribute to him and this exhibit and installation will be an interactive exhibit that will talk about his life and what he stood for.

Lastly, I want to ask if we could get an update on the 20th Street project, the status of where things stand at Pier 70.

10. MARITIME

A. Informational presentation on Water Taxi Operations at the Port.

Gerry Roybal, Maritime Marketing Manager for the Port of San Francisco - Today we're at a milestone presentation concerning San Francisco's burgeoning water taxi business which consists of two operators.

In the summer of 2012, we issued a Request for Qualifications that led to the interviewing of six qualified bid responses and with a group of four panelists, two from the Port staff, one operations side, one marketing side, and two from outside of the Port (San Francisco Municipal Transit Authority and the Mayor's Office).

The original qualification was seeking an operator to run a regularly scheduled hop on, hop off water taxi service up and down the three points along San Francisco shoreline the Port controlled. The consensus of the panel was that the top point scorer was San Francisco Water Taxi.

However, in the interviews, Tideline Marine threw out an original concept that was slightly outside the RFQ, but the panel felt it was worth pursuing so we came back to the Commission and asked if we could also enter into an agreement with a second operator, Tideline Marine, who would be operating an on call, as needed taxi services between points in San Francisco and points in the North and East Bays. That was approved by the Commission and the staff got the authority to enter into agreements in 2012.

After the first year of operation for Tideline Marine, in 2013, they were looking at trying to build up their fleet. They were trying to get investors. We came back to the Commission in September of 2013 and asked for extending the term of their lease from five years to 10 years and that was granted. That positioned us in 2014 to have two operators fully up and running. The

highlights of 2014 are that San Francisco Water Taxi launched their first vessel, called Lil' Taxi, in March of 2014.

San Francisco Water Taxi only operated nine months out of the year of 2014 but they turned in close to \$3,000 in rents to the Port and served almost 8,000 passengers. They also have begun sea trials on a second higher speed vessel, and as their presentation will show you, they are also working on other vessels that they will incorporate into their system shortly.

In 2014, Tideline Marine launched their second and larger passenger boat, the Osprey. It's a 41 passenger boat as opposed to their original six passenger. In 2014, they generated revenues of close to \$10,000. I do want to point out one error in the staff report. I showed, \$8,664 but there was actually two payments that we didn't know how to apply properly, so they weren't applied to 2014. They were applied to the wrong year. But that revenue figure is almost \$10,000 and they served over 1,157 passengers.

In August 2014, both operators were invited by the Commission to make a presentation about their experiences, about their future vision and their plans and where they see San Francisco's Water Taxi business going.

In 2014, Port staff completed all of the installations for a three part water taxi signage system that was designed and positioned with a lot of input from our Planning Department so it meets all of the sign guidelines and sign criteria. We completed those installations early in 2014 and we have location banners that show where water taxi landings physically are. Those banners hang on the light poles that are controlled by the Port on the sidewalk side of Herb Caen Way.

The second part of the system is the wayfinding arrows. Once you've located one of these banners, if you look towards the water, you will see a series of arrows that will point you down to the actual landing where you can catch the craft. The third part of this system is an information signage that is installed on each front gate to all three of our landings, right at the entrance where you would go down to board the craft. That being completed, both operators have well over a year's worth of experience and they are here today to talk about what they've learned and their future vision.

I would like to introduce Captain Taylor Lewis, the Chief Executive Officer of Tideline Marine Group, Inc., a California Corporation.

Taylor Lewis – Before I get started, it's exciting to actually see two water taxi operators in this Commission today. I remember about four years ago, when I would just sit in the back here and monitor the conversations and the development of the waterfront. It's really exciting to see both of us here and not to mention at the top of the schedule which is really exciting as well. Thank you for that and congratulations to SF Water Taxi and we look forward to some more exciting years.

As Gerry mentioned, in October 2014 which many of you were nice enough to come participate, we launched our second vessel Osprey. Speaking based on the environmental issues that are around the Port, Osprey was inspected by the Coast Guard in less than two weeks. It is an environmental tier 3 rated engine so they are the most ecofriendly engines possible for commercial vessels.

Subsequently Osprey has garnered a lot of demand in various demographics. As Gerry pointed out, we operate primarily along three Port water spots, landing spots. Additionally, Tideline's built exclusive landing spots in the North Bay, East Bay and additional in the Southern Bay region to accommodate the demand that we're seeing.

The development of any maritime application and service is a very difficult one as I'm sure everyone here in this room knows. Our first year was based on understanding the service, the waterways in which we operate in, the conditions in which it's safe, and in conjunction with our union partners at MMP, we're excited and happy to know that we've had 100% safety record, transit and conditions. We operate 24 hours. We're here to fill a niche in terms of helping with drinking and driving and reducing the street congestion that we see in San Francisco growing every day.

Osprey works in conjunction with our smaller vessel which we used to test the service out. It's a six passenger vessel. Together, we are offering two lines of service currently.

Our on-demand service which is the staple that we use is based around people's schedule. Just like a taxi, we're trying to use the domain name for its true application. Based on demand in our larger vessel, we're operating a Bay loop service which virtually works as a \$30 ticket, with discounts and incentives, you can drop that down to \$25. It gives you the ability to jump on and off our vessels throughout the day and our goal is to drive people from the other demographics to utilize existing Port facilities.

Hypothetically, a lot of our Marin community likes to see the waterfront from a different perspective, so we can transit them from our Tiburon location to Hyde Street where they can jump on our other Port carrier to go up and down the waterfront. We're here to drive different people to access areas that normally wouldn't be done so.

This is our Bay Loop Service and during the winter season, we're using that on Fridays through the weekends as we grow into spring and summer season, we'll add different days. As different events circle around the city, our system or our service will match those different volume events.

Hypothetically we just had San Francisco Street Fest which was an event going up and down the Embarcadero this last weekend and we changed our route to accommodate visitors coming from different areas. We're adaptable

in terms of the different activities going along the waterfront whether it's in San Francisco or not.

Last year, we ran a six month pilot program for a South Bay social network company, Facebook. That pilot was successful transiting employees every day, five days a week, through three locations of debarkation, initially at our Sausalito facility, another location outside Port jurisdiction at Gashouse Cove by Fort Mason and one spot on Pier 40.

We were excited because we got to pay a lot more revenue because our ridership was quite a bit. We're exploring and working with other companies in that region to provide similar services, so we're having all the right kind of conversations at this junction for a maritime development company.

At a previous Port Commission meeting, we requested an extension to our contract in order to garner capitalization as we are a privately funded entity. While this is San Francisco, and is known for start-up culture, it is not so for an asset based industry based on the water. This was obviously a big undertaking and thank you for the Port Commission seeing that and helping us present something to our investor group that would allow us to cultivate capitalization to build this out in the long-term.

Since we last spoke, the bulk of that ridership is local residents. We see most of the residents using our service opposite ferry hours or in conjunction with large events. We attribute about 75% of our ridership to local North Bay residents.

Subsequently we're filling gaps with hotels and different events. During the Giants World Series for example, we ran a continuous service capturing people who didn't want to drive, deal with traffic, drinking and whatnot. It's was really successful. People got back to the North Bay in about 14 to 18 minutes, so it's a really efficient service.

Our ridership since we launched our new vessel has grown outside of our local demographic. Since we had one vessel and we were trying to start up we made it a civically driven business. Since the debut of Osprey, which we launched World Series but then more publicly with the Golden Gate Bridge outage is it increased our ridership about 45%.

Since we debuted Osprey in October for the public, through March we've taken approximately 935 passengers to Port locations. Our numbers also don't necessarily capture what we do outside the Port for this particular meeting. This is the winter season so we're already looking at maximum demand in the months as our marketing gets engaged.

The ridership trends that we've seen virtually the first year of our business which was just understanding the academics of transit modes and how water can be utilized in this specific area. The red arrow denotes the highest volume

of ridership trends that we see emanating from the North Bay region into San Francisco, primarily our Pier 1½ and Pier 40 locations.

Subsequently we see less traction from San Francisco out to different regions. However we're beginning to see that leading to our other landing spots in Berkeley, Point Richmond and Emeryville. Our Point Richmond landing spot is an exciting one for us, with Lawrence Livermore going in there, we feel we can provide some great transit options for the different educational centers there. We're really excited about that partnership.

To reiterate our growth from the launch of our new vessel, we've virtually seen in these winter months with limited marketing, as we're just understanding the logistic of how our new boat works in these new corridors, we've seen a very large increase in our ridership. We're excited about this spring quarter as we debut a new marketing plan and a new Web site.

Our crew is comprised of 100% MMP which has proved to be an important decision for us. MMP crew has also supported relocating our vessel from Annapolis, Maryland to San Francisco which was a great undertaking and notes their attentiveness to work outside of San Francisco Bay.

We're launching a new Web site in May which we're excited about. Thus far, our Web site's been very philosophical about the idea of water taxis. Now we're matching it more with what you see in New York City, a very user interface. You can make reservations. You can track the vessel online. We're bringing it on par with modern transit options to help riders understand where the service is coming from, how far away is the vessel from the location? This spring you'll start to see things like push notifications which will alert different riders when the vessel's going to be coming close.

We started doing different things with our tracking system which is live and we'll take you through that. If you have Smartphones we can actually show you where the boat is right now. So while we're not an Uber, we're matching us with modern day maritime applications and services which help reflect the general direction the Port would like to go which is being an icon, not just here, but elsewhere, as a forward thinking entity serving people on the water in a really modern way. We're excited about this technology and we're proud to become the first small vessel operators to utilize it.

Additionally, outside of San Francisco, Tideline members and employees have become involved with all the Chambers of Commerce in our local areas so we can support different educational outlets and help with policy building. Sausalito specifically is working on a new ferry terminal. The City has asked Tideline to help participate in policy construction to help support that. We're trying to learn as much as we can about different mobility techniques and how we can help that.

One of our new features we just debuted is our live tracking system, so it's very similar to Uber. To accommodate all people and not have to purchase anything, we have a mobile site so anybody can use it. You just go to TidelineSF.com. The first banner you would see is a live map. You hit the live map and our vessel comes up. Also you can get more granular information about the vessel and where it's going, the different hubs it's been to. It's a great way for us to communicate with riders and open the access door a bit more.

As we go forward, our goal is to, obviously expand our service in conjunction with the mission of the Port. As Pier 38 becomes available, the Brannan Street Wharf, Pier 52 -- a lot of our clients represent large business firms, financial institutions, large entities that do a lot of work in the city. They've been coming to us to showcase these different areas around. Tideline's a platform to help showcase the different events going on in the Bay and support different entities working on the Bay.

Our commuter service is garnering a lot of attention due to our hours of operation, so we're excited about that growth. Pier 27, we look at that as an opportunity to help displace people off the waterfront. All of our operators are MMP with TWIC cards allowing them Port access so we can help alleviate some of the congestion from the cruise liners and have people directly board our vessels or have an embarkation area just to get that trench initially off the Embarcadero.

We have relationships up in Napa Valley, which we're excited about. We're trying to get more people in conjunction with the debut of the SMART line which is our new rail service in the North Bay. We're trying to round out the ability to use water transit and hopefully showcase more of what's going on in the Port.

What we're looking for, and what the Port has been great with, is signage. However, based on our trends that we're seeing now with our ridership and the volume of ridership, we are looking for additional signage in education to let the community know that this service is here to support them, hence our hours of operation and our different ways of incentivizing people.

We're also looking to do things like transfer discounts. If you use a different entity such as BART or Blue & Gold, Red and White, even SF Taxi, you can get a discount on Tideline to make the service more fluid and interchangeable. I'm going to hand you guys these. These are how we are tracking our ridership now as opposed to just tickets which are great.

We actually have different codes on the back of our cards, which when the passenger enters into our reservation base, it tells us all the data about where they're coming from. We're able to quantify ridership, so next time we meet, we'll be able to give you a little bit more insight as to what we see with our new marketing that debuts, our new vessel and our new Web site.

We look forward to this upcoming season and appreciate the Port's efforts in supporting this and invite all of you to come and jump on our boat.

Gerry Roybal - Next, explaining what San Francisco Water Taxi is up to, is Dave Thomas. Dave is the sole proprietor and owner of San Francisco Water Taxi Company.

Dave Thomas - It's been a very interesting year. I brought a small portion of our Navy down here today to see the process and realize how serious we are about making this happen. The thing that got us in the initial offer was to get out there and to do this under these guidelines. We took that as our Bible, wrote it in granite and we've been working on it ever since. The first thing we had to do was invent a company, San Francisco Water Taxi.

When we did this, we were faced with really tough questions. We have to invent it. Do we need big boats, small boats? Do we go fast or slow? Do we have lots of money for fuel? How many people do we need? If you go over a certain size of boat, you need crewmen on board. It was a massive, overwhelming thing. We're not New York. We can't run pontoons like they do in Baltimore. We can't run high speed boats like they do in Mexico.

We were faced with a lot of issues and I decided to do all of the above. First we had to come up with a mission. If you haven't figured it out yet, we're all about the image. We want an iconic image down here in San Francisco. We want no mistake who you're talking to and when you're talking to them, when you come to San Francisco. We take great pride in our company to build it like we'd like to see developing our new water highway.

San Francisco Water Taxi is going to consist of three fleets. This is what we're working on. The first fleet is mid-size fleet. We were very fortunate enough to find a defunct water taxi service. We started buying their boats all over California. This particular one we found at a desert in Fairfield. We've completely rebuilt them and put them in the water with no idea if they would work. They worked magnificently, thank God. So we're building our mid-size fleet first which is going to handle approximately 14-18 passengers. Under 29 feet, that stops a lot of regulations. You go to 30 feet and we just buy on thousands of dollars of regulations.

The second fleet I used to call it the mosquito fleet and everybody said it sounded like a bug you were going to squash so we call it our express fleet now. These are much faster boats. They're less fuel efficient but to give you an idea that we can cut the travel time. Instead of 20 minutes a stop, we can go down to five minutes a stop. They're also really a good, responsive boat.

Our third fleet, which we have no idea what it will be, when we get several years of data, we will know exactly what we need for San Francisco. If I can't buy it, I'll start a company and we'll manufacture them ourselves. Right now we're talking to the company of the fleet we're using. The molds went up to

Canada. We're trying to buy them or rent them back, and bring them down here to manufacture a larger fleet.

Here's our typical schedule that's handed out by the thousands out here. As you can see, we've broken down our stops into two routes. What we call our Northern Route and our Southern Route as we initially launched. Everything we do, unfortunately, has to be done in pairs. We have one boat actually functioning now. When its sister ship comes in line, we'll start running the other half of the route. But we chose a more popular route of Hyde Street so we go from Pier 1 to Hyde Street.

The hardest thing we had to teach our Captains is we're not charter boats, but we're a bus to stay with the sanctity of schedule. Our ticket prices are extremely modest, they were designed that way. It's \$10 hop on/hop off, \$5 for local ID. Our Captains ask for it. San Francisco has grown quite a bit. I don't think the Mayor knows it, but according to one passenger, Sunnyvale is part of San Francisco. We get the occasional pirate and zombies and kids. The pirates we don't want to fight with. The zombies don't give us much trouble, and well, kids are kids.

In the first nine months, we've done just shy of 8,000 passengers who have actually come on board. Our ridership shows a typical curve that probably will go for the year. I'm a little disappointed. We did a great August there. September was going strong. October came around and then through a combination of bad weather and mechanical issues, not actually with the taxi boats but with our other company, we had to make a choice and put some of the taxi boats over to the other company where we make much more money because they were funding the entire water company.

Here's where people are going. This is where they're getting on, mostly at Pier 1½. A lot of them are doing just round trips. Some are getting on at Hyde Street. Pier 39 we just got the letter of acceptance from them so that will be a regular stop probably in the next 30 days or so. Now, here's where they're getting off. They're going basically from Pier 1½ and they're going to Fisherman's Wharf. It used to be nobody would come from Hyde Street Pier, until the signage got improved and that made a huge difference.

This is an interesting figure. This means people are 50/50 in terms of whether they're coming back to us. We haven't lost anybody. They haven't wandered off in the city and they never came back to see us. It surprises me because I'm sure people do wander away one day and won't come back to the boat. It also means we didn't lose any in the water.

This is our total capacity. A full boat is 18 people. We do 13 trips a day right now. That means we can take 234 people or 7,000 people per month for roughly about 85,000 or 84,000 people a year, per boat. As we put double boats in, it's going to go.

What I really want to know from the captains is what is our average total capacity? Right now it's at 9.3%. This is a breakdown by months. The yellow shows you the ridership. The black shows you the potential passengers. Now all that black actually means we ran a boat during that period. We were on the water, expecting a passenger. If we're going to have a dependable service, this is a hit we have to take. That's why we're so careful in looking for fuel economy on our boats.

To build a strong company, everybody has to be part of it. I've created a unique model as in several other of my other businesses. We have a unique gross profit-sharing company, meaning my captains get 40% of all the gross income received by the company. Our ticket sellers, our marketing people get 20%, 40% of it goes to maintenance of the operations. This has allowed one boat business I bought that was doing 5,000 passengers a year to go to 35,000 passengers in three years. Everybody works together. Everybody has a piece of the pie.

Our business predictions initially, we thought we would get less than 1,000 passengers. In fact, I tell everybody this. First year we're going to be just a bunch of empty yellow boats. Second year, we'll have a few people get on and third year, we'll have to beat them off. We exceeded that eight times more than we possibly expected. Our second year goal would be 50 passengers per day which is our operational and overhead breakeven point where we start getting some return on the investment, or approximately 18,000 passengers.

I think more importantly is that right now, we need to have about 10 to 18 boats eventually to fulfill the needs of the water taxi highway. Our third year is going to be extremely strong. That's where we're going to start getting the true numbers of what the demand is.

We've set up our company in order to do this and to make it successful. That was one of the mandates that was put out. I paid everything in cash. We owe less than \$1,500 right now. I personally have put out about \$400,000 in the last year. We're very strong with our fiscal foundation. We're available there for research, marketing, innovation, experimentation, and frankly, weathering an extended start-up period time.

As it stands right now, the company really needs about 15 passengers a day to break even on its operational costs. I'd still like to get my money back one day.

This is Lil' Taxi. All the boats are named Lil' Taxi, I thought that was the easiest way to remember them. This is Lil' Taxi 2 which is the sister ship and that is currently in San Rafael having new engine and rebuild. It just came out of cosmetic. Pretty little thing, we'll give it to the captains and let them beat it up.

Here's Lil' Taxi 3. This was an ex-naval boat. I was looking for a sustainable model of something we can buy multiples of. Navy made a lot of these. There were a lot on the market. I bought this one. They all went off the market but we will get more.

This is Lil' Taxi 4. This is a cute little boat. It was built as a water taxi, seats 20 people. Unfortunately the manufacturer did not file the proper Coast Guard paperwork and we have to run it as a six pack for two years before we can get the full COI. The little white boat on the corner is typical of our operation. We bought that boat. We sent it to a boat manufacturing, had them strip all the gel coat off and make it yellow which is our color. That's Lil' Taxi 5. Lil' Taxi 6 is not purchased yet but I'll be flying back to Baltimore in a couple weeks and we hope we can buy this one and several others that he owns.

Our media development, we've got a great team, CyberSpark and we've got great IT guys here. We've learned to hire people smarter than me. They are putting together a brand new launch of the Web site. We're killing everything we had.

This is what I see on my phone every day. The captains as they all know, get a call from me because I'll ask them why they're five or six minutes late or why they're suddenly visiting sea lions at Pier 39 and not on their route but I get this constant tracking. Every five minutes, I know where they are.

Our IT team created a program that eventually people will be able to punch a button and it will read directions to them in any language. They set up all the tourist attractions for each stop so you can print it out in Japanese, Korean, Chinese or Spanish to help people get around our city.

We've created a unique training program. I really don't want a lot of the captains who have already come up in the marine ranks. I'd rather train my own. I've created scholarship programs, mentorship and training so we create our own first generation of water taxi operators as they should be. We get to teach them our own bad habits. We've already had three people get through the school.

I've got to give kudos for Captain George here. He recently got a lifesaving medal for saving a distraught individual who jumped off one of the piers down here but he's not the only one. Captain Brian just recently got awarded a certificate from Pier 39 for stepping in and doing better than the medical people to help a seizure patient.

IT staff wanted to give you the feel and the joy that we experience every day out in the water.

"Rock the Boat" plays during slideshow

Gerry Roybal - That concludes the presentations. I'd like to thank Taylor Lewis with Tideline Marine Group and Dave Thomas with San Francisco Water Taxi for their presentations. I'd like to offer up the opportunity for us to answer questions, either myself or Dave or Taylor, from the Commission. If you have any, please let us know.

Captain Ray Shipway - I'd just like to say thank you for the opportunity to come up here and address the Commission without having to complain about anything and tell you about major problems going on in the Bay and on the Port. We don't have any problems. I want to say that Taylor and I have worked really hard to put together a union company that's providing good, reasonable jobs for people working on the water and to provide the extra effort that it takes to go forward and make sure that these folks are taken care of in the proper manner. We provide the trained employees and Taylor retrains them. He's got his own training program too but I want to thank you so much for the support that you've given both water taxi companies. We're always looking for a little help with the expansion of the landings. We'd like to put together some more. I know you've got some on the books. The signage was great. We could use some more of that. I don't know the particulars on the insurance situation, but it's pretty astronomical. If there's a way that we can take a look at the insurance requirements for these smaller vessels that would probably be a help to both operators.

Commissioner Woo Ho - This is an area that I have a lot of interest in. A lot of people have heard me advocate for the water taxi and using more water transport up and down the waterfront.

We've had some really great presentations; I appreciate both of them. Their focus is a little bit different. Obviously Tideline is a little bit more with the local commute and back and forth and it sounds like the water taxi company is dealing with more tourists.

It's good that you both have your own particular targets and that you can grow in either direction. I'd love to see more of this happen.

For Tideline, do you currently have the data about repeat customers versus new customers? You probably have a lot of expansion opportunities as the demand grows over time because you are focused on the commute and the local events, etc.

Taylor Lewis - Correct, our local ridership would probably range in that return aspect about 85-95%. We have over 1,200 house accounts between the major yacht clubs that all riders can charge back to so we can charge back to them. Virtually all our entire ridership community is based in the Marin County area in terms of our genesis or ethos that we really wanted to embed with that community. While we're technologically advancing, you still can call and talk to somebody. We're a couple degrees away from most of the community in the Southern Peninsula of Marin. If you ride with us once, you definitely will ride us again.

In terms of our new services and how we're actually getting people outside of our norms, there's not enough evidence at this point if they're coming back at this junction since we're just debuting our new boat and new service right in the middle of winter, in January. Our marketing hasn't really debuted yet which will be in the next two or three weeks with our new sites. Perhaps at our next presentation, we'll be able to qualify our return ridership for our new services.

Commissioner Woo Ho - I think you've answered a little bit of my second question which is related to marketing and how the word is getting out. Obviously, it sounds like you're using the yacht clubs to get some of the word out. People with boats would be interested in a water taxi ride. It sounds like you've also addressed some of the possible corporate targets, both in terms of special events, or as you mentioned you have Facebook and others. What other forms of media marketing are you planning to use? --

Taylor Lewis - Great question. That's one that there seems to be always be a quick answer with social media but for a maritime development, for us to really gain substantial footing in an industry that really doesn't allow newcomers, we've followed similar channels that we've seen in other development businesses.

Currently we go through channels like our union. We also go through Chambers in Commerce in our local areas. We work a lot with the different systems that are in San Francisco to get a lot of ridership in the sense of Bay Area Discovery Museum, the different educational outlets where we can help get people to understand the waterways. Not necessarily as them being a continuous rider, but our goal is to re-educate the population so the next generation or the younger generation will utilize the water in a much different way.

We talk a lot to high school kids. We talk a lot to our different restaurants, etc. to help as alternatives for late night drinking and driving. Right now it's been a real clinical distribution through our partnership channels such as hotels, yacht clubs, restaurants, the Port and our union entities that help us market our business.

Going forward, we've engaged a new firm to help us get the word out on a more social media based level to attract people outside of our normal scope of ridership that would come from the yacht clubs, different municipalities or just word of mouth.

In the next few months, you'll see some of those different channels of sales, whether they're through social media, whether they're through different stories such as the Sierra Club or Bay Area Discovery Museum or different events that we'll do.

Our branding is very simple and the idea is for us to be able to pass our branding on to different events that are going on around the city for us to market or integrate with them. We strategically positioned ourselves to piggyback already existing marketing modes based on events.

When the Giants come, our service between our restaurant hub in Sam's and Pier 40 is an easy marketing tool and one that's efficient. We're really about efficiency and transiting people in a time that's going to save them time. We're looking for efficiency and mobility. That's why Facebook has come back to us and why we're doing a much larger project.

Commissioner Woo Ho - That leads into my second question because the biggest issue we've heard about is the congestion on the Embarcadero and the fact that traffic is getting worse on the waterfront. My interest has been trying to figure out how we can alleviate some of the commuter traffic that we're seeing throughout the city through greater use of water transport. Facebook is going to continue experimenting with water transport for some of their employees. Is that pilot going to continue?

Taylor Lewis - The pilot actually ended six months after its conception last year due to we didn't own the vessel at that junction. Going forward we've re-engaged the conversation and we're not at the junction where we can tell you the scope of that just based on the client and the other clients that we're working with in that region.

Tideline is a marine group. We do run a water taxi, but we do put together different logistical plans for entities and that's what they've hired us to do and then subsequently the goal is to run the service, but not as a gimmick. We're here to be a sustainable line of service. As much as it might be in the best interest from a marketing standpoint to be in a pilot, we want to be embedded with this service.

Commissioner Woo Ho - There's a tremendous amount of capacity in your San Francisco Water Taxi. What is your capacity at this point with all these various demands and how will you keep up with it and what's your model to do that?

Taylor Lewis - It's strategic and it depends on demand. As we're overwhelmed with demand in different areas, we're organizing them based on what the best mode of general transportation for the population at large would be.

Commissioner Woo Ho - But, based on some of the figures we just saw...

Taylor Lewis - Our utilization for our larger vessel, since we're running it only on weekend usage is about 35% meaning now that the new boat's on there, people are really getting on. We're driving them to the boat and with our new events that are going on, it really helps fill the boat on its own. We have to

exert a very little amount of effort because our biggest commodity is saving you time, which you can't purchase. Our marketing is just logic and we're trying to reinforce that.

Commissioner Woo Ho – So the question would be the timing of when you'd need to add more boats.

Taylor Lewis - That is going to be based on when the service can be sustainable. As a maritime entity, we're not in the business of flooding a new bay with a lot of boats without a strategic course or logistics to satisfy it. As the demand becomes sustainable, meaning the partnerships that we've engaged, including the Port, helps us educate and brand the service, once I can see sustainable ridership that justifies the service, I'll add another vessel. It's really goes hand in hand. We're doing our best to fill the boats on a daily basis with clean lines of service that facilitate the needs of the transportation demand, and if that succeeds, then we'll add another vessel.

Our goal is to add, by spring, our sister ship to Osprey, which is important to us as maritime professionals to operate boats that represent our commitment to safety, environment, and the service and the conditions here..

Commissioner Murphy - Some great answers to some great questions. What percentage of your ridership are the commuters?

Taylor Lewis - Because we have to dance the delicate line between ferries and that term and the clock, our commuter service has been more of a just for the corporate aspect at this junction. That facilitated six months of daily usage at a really high demand. The company we were working with wasn't looking to end the service, but because of our lack of assets, we did. With the vessels that we have there and start selling the commuter service, we feel that it'll garner us to capture a new boat sooner than later. When it's offered, it's full.

Commissioner Murphy – Are you in a position to fund a new boat if needed?

Taylor Lewis - It's more based on what makes sense to the maritime perspective of the operation. We move one knot a minute so it's very slow in our development. It is a joint effort between the marketing and the education from the city to ensure to get another boat. If the demand warrants it, I can get them.

Commissioner Brandon - I want to thank both of you for such a wonderful presentation. I'm happy to see that in the first year both of you have been very successful. Hopefully we can help in whatever way we can with your continued growth. Most of my questions have been answered regarding sustainability so thank you very much.

Commissioner Adams - I think this is a good program. You both answered the questions, two different styles, two different philosophies, but that's good. We

have over 3 million passengers a year that use the ferries and to have these water taxis complements what we have in our city. For people to be able to take these water taxis and to go here and to go there, I think the business will increase. I do agree with you that when the demand comes, you can bring on more boats.

It must've been about 10 years ago, the first time I ever went on a water taxi in Sydney, Australia. I went around the harbor and I saw that concept. I'm so glad we got it and I know when Commissioner Woo Ho was President, she was pounding away at this. The Commissioners, Monique and her staff decided to move forward on this and I'm pleased with that. I hope that we can continue to build on it and get more passengers out there in the Bay and realize this is a formal mode of transportation.

Commissioner Katz - I echo the comments of my colleagues and you have answered most of my questions. I'm thrilled that both of you have been doing well and that we're seeing increases in ridership. Obviously I'd like to see that go up even more and it's sort of a chicken and egg in some respects in terms of expanding your fleets and expanding ridership but to the extent that there's anything that we might be able to do that would facilitate marketing or getting the word out further, we'd certainly want to do what we could to help increase that. We all do better when that occurs.

One of the things that I've found when I've mentioned to some people about the existence of water taxis, a lot of locals still aren't even aware of the existence. It might be nice to partner with some of the various other organizations in the city, particularly tied to the tourism industry. Tideline have done quite a bit with the corporate connections, but perhaps there might be some other opportunities there so we can see expansion occur even more rapidly.

As a personal note, I attended an event recently where Tideline offered transportation service for the event-goers over to Marin and people were just raving about it. The hosts for the party were almost a little upset because everyone was so anxious to get back on the boat. They were going to leave the party early. Kudos to you and everyone. They couldn't say enough nice things about the experience for the event and everyone that came over on the boat. We're thrilled to have you before us.

Taylor Lewis - We're happy to serve you.

- B. Request authorization to advertise and issue a Request for Proposals (RFP) soliciting a developer and operator for a Bulk Export Maritime Terminal Operation at Pier 96. (Resolution No. 15-09)

Jim Maloney, Port's Maritime Division - I'm here to talk about Pier 96 and request your authorization to issue a Request for Proposals to solicit a terminal developer and operator for a bulk export facility at Pier 96.

In terms of the opportunity, we've got a large waterside, largely vacant maritime facility at Pier 96. It provides a great maritime revenue opportunity to the Port. We've also received a number of expressions of interest in developing the site into a bulk facility. We'd like to issue a Request for Proposals to test the market and try to find and identify the best opportunity for the Port. Pier 96, as you're aware, is in the Port's Southern Waterfront, Piers 80-96 Maritime Industrial Complex. It has excellent water or industrial transportation access including water access, rail and truck access.

This is an aerial view of the same site with Pier 96 in the foreground where the gantry cranes are. It also shows the Port's rail yard along Cargo Way and the Backlands Development Area right adjacent to that. To give you some context, you also see the concrete batch plant sites to the right along Islais Creek.

The RFP site, we've got about 15 acres of paved land right alongside the water with an opportunity to add an additional 15 plus acres adjacent to it to create a potential opportunity area of about 30-32 acres down at Pier 96. This shows the Pier 96 site from the water side, right by the berth. This is a copy of a brochure that Port staff put together to promote the Pier 96 site.

The hands in the photo are those of our now retired rock star, Jay Ach. He's holding is a piece of iron ore. Luckily he left this behind as a gift to me as part of his retirement and I'd like to enter this into evidence as Exhibit A.

Commissioner Katz - For those that can't see it, it has a Port clip affixed to the front.

Jim Maloney - The reason I put that clip on there is it's actually Magnetite which I've learned from Jay is actually iron oxide. Iron oxide is magnetic. It actually holds the magnet onto it. It's a pretty heavy piece of pretty heavy rock. Jay actually went up to a mine site outside of Lovelock, Nevada to retrieve that piece of rock and check it out for us.

Iron ore is the main commodity that we're targeting for this facility to start with. It fits our facility quite well and the special attributes that we have. For one thing, it's non-toxic and non-hazardous, so it's not harmful to the environment. As you can tell, it's quite heavy and so it requires fairly deep water Port facilities to accommodate the larger ships to make it economically viable to ship it. Thanks to Jay who's managed to keep Pier 96 dredged to 40 feet, it's been a very attractive pier for handling iron ore.

We'd like to also consider other bulk commodities for the terminal. We have decided not to entertain fossil fuel type of commodities like coal and petroleum coke.

Pier 96 is a largely vacant former container handling facility. There's approximately 30 acres at and near the water to build a facility. The facility

has on dock rail access now. We currently have two rail track that go out to Pier 96. There's enough space out there at the pier to actually enhance and add on to the rail structure.

The Geotech & Engineering study that the Port recently commissioned show that it is economically and geotechnically feasible to build a facility that will be economically viable at the site. They came to us as part of that engineering study with a concept design of a facility that we could potentially build at Pier 96. What this shows is a loop track that comes out from the rail yard. We're connecting two of the rail, the two rail track that exist that go kind of dead end at the water. Basically, connect those two tracks with a loop to allow for the efficient movement of trains out to Pier 96 to unload and unload their ore and get the trains back to the rail yard.

This also shows a rail car unloading facility down there toward the bottom of the rail track. It shows materials handling systems, a storage shed and also a mobile ship loading conveyance system to load the vessel. In the Request for Proposals, the respondents can either choose to use this design that we've provided to them, or come up with what they might consider a better design of their own.

This diagram shows the larger rail infrastructure including the rail yard. It shows we could actually triple loop the track out to Pier 96 and add five additional parallel storage track in the rail yard. The red on the diagram is the existing Port rail track. The green would be new track.

In terms of the objectives that the Port has for the Request for Proposal process, first of all, we'd like to further the Port's maritime commerce mission. We'd also like to bring to full utilization, a very valuable Port maritime asset. We want to take advantage of the property's unique capabilities.

For instance, the fact that it's got 40 feet of water depth, that it does have direct rail access, that there is enough room out there to build a loop track and a covered storage facility and the conveyance infrastructure that would be required to facilitate the loading of iron ore and unloading. We'd also like to generate new revenues to the Port and create maritime jobs in the Southern Waterfront.

We're requesting Commission's authorization to issue a Request for Proposals to test the market and come back with the best opportunity to the Port for developing the site. We'd also like to ask your flexibility in the timing of issuing the RFP. The iron ore market has been a little volatile of late and we just want to make sure we time it so that we feel that we're going to get the best, strongest opportunity for the Port.

We'd also like to seek proposals that meet the Port's strategic objectives that were just outlined. We'd also like to focus on iron ore and other bulk commodities, non-fossil fuel related commodities for the facility.

Commissioner Murphy - What do you mean by the iron ore market being volatile?

Jim Maloney - Similar to the crude oil market, the price of iron ore has dropped fairly dramatically in the last six months, and we think in part it's the market conditions, that the economy in China has slowed down a bit. There are other lower cost producers that are flooding the market at the moment. There are various conditions that seem to bring the price down.

We'll follow the market and see if that recovers and see if there might be another commodity. There are some other commodities we're looking at that potentially could be suitable. We're watching the market fairly carefully.

Commissioner Murphy - Would you mind telling us which other commodity?

Jim Maloney - There's something called barite. That's another commodity that's mined in states nearby. There are things like biofuels. We have had folks interested in shipping, possibly shipping biomass and other products that could be used for biofuels elsewhere.

Felipe Riley - I'm with the Longshoreman's Union here in San Francisco. For a long time, we have been talking about bulk commodities on the waterfront here. Our union is open to a lot of perspective terminal operators in these areas. We are looking forward to working with these operators to make sure that we have an efficient, safe operation.

We're very interested in any type of bulk commodity that's going in there and if they're looking for additional materials to move in there as well. You might want to look into even logging. I know that's big right now. We have a couple different facilities that are going around the Bay in Richmond and Oakland. That might be one entity that we could entertain.

The ILWU is behind this 100%. We would hope that the Commission would take this into consideration and we look forward to working together with you all on it and trying to help you through it in any way we can. If you need our help, you know where to reach us. We're right down the street, 400 North Point.

Christopher Christensen - I'm also with the ILWU, Local 10 and Felipe said it a little more articulately than I probably can. I want to stress that the ILWU Local 10 is very excited to have possible bulk cargo work at Pier 96 and that we support having that kind of work there. Any kind of commodity that comes in there is a promising commodity and we're looking forward to working with the Port and with Jim to get some kind of work into Pier 96. We're hoping that that does happen.

Captain Shipway for the Masters, Mates & Pilots - I appreciate the opportunity for the Port to develop something that goes back and forth and develops the

idea that we are a maritime Port and we can still move commodities. We've grown up a lot, but we've got more to do than just berthing boats and making tourist attractions, but we have the opportunity to do some work out of this Port. I'm third generation sailor in this country and third generation sailor out of this Port, so I'm hoping we can put this together and make this work for us all.

Commissioner Woo Ho - I think it just makes a lot of sense. I appreciate the presentation. I don't think we have a lot of questions, I think we just want to keep moving on the RFP.

Commissioner Brandon - Thank you so much for a wonderful presentation. I am really looking forward to this item. Can you give me a little idea of how the selection process will go or what the selection will be based on?

Jim Maloney - Thank you also very much for your support Commissioner Brandon in this process. We're going to keep it somewhat open. We would like to target a bulk export facility because export facility's very different from import. The interest has really been on the bulk side and we think that would also help us diversify our cargo mix quite a bit. Most of our cargo now is import oriented.

We'll basically ask a number of things as outlined in the staff report. Things like, "Give us your proposal for what type of commodities you intend to ship through, estimated volumes, what the return would be to the Port, what type of revenues you would imagine the Port would accrue? How many jobs do you think would be created at the facility? How much investment do you think would be required? How much lease term you would need in order to amortize that investment? What would you envision the Port's contributing to it?" Things of that nature.

Commissioner Brandon - If we have three very qualified, very good companies that are exporting, so how would we choose one? What would be the differentiating factor -- is it based on revenue? Is that what we're more concerned with or is it local hiring?

Jim Maloney - I think it'd be a little bit of all of that - local hiring, revenue, etc. We'd like to invite the top candidates. There will be some selection criteria and a scoring system. We'll possibly even invite them to come back and give a presentation to the Port Commission if there's more than one or just invite the top candidate.

Commissioner Brandon - Will that be part of the RFP, the criteria for selection?

Jim Maloney - Yes it will.

Commissioner Brandon - It's not on the staff report but you'll have it in the RFP?

Jim Maloney - Yes, that's correct.

Commissioner Brandon - Will this have any environmental impact on the surrounding communities in any way?

Jim Maloney - We'll ask for best management practices. We'll say that we want to mitigate against fugitive dust. They'll be required to go through the usual regulatory approval processes for storm water, pollution prevention plans, provide us what the environmental impacts that they envision would be and how they're going to mitigate against those impacts. We'll be very sensitive to those types of mitigations.

Commissioner Brandon - I'm excited about this project and hopefully we get a lot of really good proposals.

Jim Maloney - I hope so.

Commissioner Murphy - I assume that the raw material comes in on a train and it's loaded onto the ships, right?

Jim Maloney - Pretty much so and a little bit other things happening in between.

Commissioner Murphy - There'll be no processing or anything at Pier 96?

Jim Maloney - No but there'll be some processing done at the mine site. There will be some concentration of the material to the right concentration of ore. They'll probably want a certain moisture content which they'll try to maintain so it's not too much moisture but just enough. We envision it having covered storage. That actually was what the main mining company that we're working with, Nevada Iron, where this piece of iron ore came from. That was initially what they told us that they would require, they would want to build a covered storage.

Commissioner Murphy - With all the produce that we produce in California, where does all of that get shipped out of? Surely a lot of it goes overseas.

Jim Maloney - A lot of it goes all over the world. A lot of it is containerized, goes through the Port of Oakland actually. Most of the produce that gets shipped out, some actually goes by air. I don't know of any that's going in break bulk vessels similar to what we have at Pier 80. But most of it goes in containers or air freight depending on the value.

Commissioner Adams - I want to thank you for all your hard work. This is right on where we need to go. If you remember the Grand Jury report, it talked

about the Port of San Francisco raising its game as far as maritime. As the Port grows, maritime needs to grow. Back in January, Director Moyer, President Katz and myself met with Mayor Ed Lee and we talked about where we saw the vision of the Port going. Mayor Lee was 200% in about maritime, jobs, and more maritime in the Ports.

This is good. This is the beginning with Pier 96. We need to develop it to the maximum. Also Pier 80, and it adds another dimension to our Port. It brings up the revenue. Plus we have our cruise ships down at Pier 27 and maritime cannot be a fading star in the Port of San Francisco. It needs to be a part of the beacon of light of this Port. It needs to be here to stay.

If we're going to get somebody that's going to come in, because there are investors out there that are willing to invest the money. I know what you're talking about when you were talking about iron ore and stuff like that because at one time, China had the market pretty much cornered and most of it was coming out of Australia. Things are starting to slow down, but that's how things go. Things go real hot and heavy for a while, then things cool down, then they go forward again.

I'm supportive of this. I know the rest of the Commission is and I think we need to put in the resources and we need to get an operator in here that's really committed to this Port and this area and to provide jobs and also to develop our maritime in this Port and make it strong and active.

Commissioner Katz - I also want to thank you for bringing this forward and the work that's gone into it. I concur with the comments of my colleagues. It's a great opportunity for us to expand jobs in the area and also add further vibrancy to our Port. In order to be strong, a port has to have this nice, dynamic mix and this will only further that.

With regards to the reference to the dredging, how often do you anticipate the dredging would occur and is it significantly more than is currently being done?

Jim Maloney - Right now we dredge possibly every three years or so. But that particular area by Pier 94-96 is pretty naturally scouring. It doesn't take a lot of dredging so it stays pretty deep. About every 3-4 years, we would do a maintenance dredging to keep it down to the 40 feet.

Commissioner Katz - I just want to call out and thank you for including specific directives to take into account climate change and sea level rise in the plans coming forward.

We have our Southern Waterfront Beautification Policy in place but I wondered, as we're putting together some of the criteria for operators, to include as some of the efforts that they would take to go above and beyond the minimum requirements. To allow some points in the process for going

above and beyond in the beautification of the area and mitigating against some of the possible blight that might take place.

Jim Maloney – Okay, we can suggest that in the wording of the RFP and prioritize it in the scoring as well.

Commissioner Katz – Great, I'm excited.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 15-09 was adopted.

11. FINANCE & ADMINISTRATION

A. Informational presentation on the Port's Report on Contracting Activity for the First and Second Quarters of Fiscal Year 2014-15 (July 1, 2014 through December 31, 2014)

Monique Moyer - Given the late hour, it's a great report. You can take it under advisement, or we can present it another time. It's really a great report. You can just say, "It's a great report," and we can move on, or whatever you desire but I don't want to lose our quorum because we do have some needy items right behind this.

Commissioner Katz - Could we continue this matter to our next meeting?

Monique Moyer - How about we just agree to continue it so we don't run into the same process, because we have a lot for next meeting?

Commissioner Katz - If we could continue it, because I agree with you. It's too important to get lost in running through it quickly. I apologize for our staff who geared up for presenting this evening. The results we've had in our contracting are stellar and I don't want them to get short shrift.

Monique Moyer - Thank you. I'll bring it back so it doesn't end up being at the end of the night again.

B. Request authorization to award professional services contracts for implementation of the Port's Youth Employment Program to the San Francisco Conservation Corps in an amount not to exceed \$795,000 and to the Hunters Point Family in an amount not to exceed \$265,000, each with terms of two (2) years with an option to extend for two (2) years and a total combined amount not to exceed \$1,060,000. (Resolution No. 15-08)

Boris Delepine, Contracts Administrator with the Finance and Administration Division - For the past nine years, the Port has successfully administered a youth employment program that engages and provides employment for at-risk

and disadvantaged youth while providing needed support to our Port's Maintenance staff.

The item before you is a Request for Authorization to award two contracts. One, to the San Francisco Conservation Corps for \$795,000 and the second to the Hunters Point Family for \$265,000. Each contract has a term of two years with an option to extend for an additional two.

The program employs San Francisco at-risk and economically disadvantaged youth aged between 16 and 24 years of age. These youth participants will be performing various maintenance tasks including planting, weeding, litter and graffiti removal with other landscape and litter control maintenance as directed. In addition, the youth will receive work readiness training, supervision and pre-apprenticeship training. Finally, the program includes inspection and verification of the work performed.

The funding for this program was obtained through the Operating Budgets for Fiscal Year 2014 and Fiscal Year 2015-16 in the amount of \$265,000 annually. Any program funding beyond Fiscal Year 2015-16 is subject to future budget appropriations. The second table on this slide shows the annual allocation of funding for the two contractors. San Francisco Conservation Corps was selected for 75% of the total contract award. This translates to approximately \$200,000 annually. The Hunters Point Family was selected for 25% total program award or \$66,000 annually. The not-to-exceed amount for this contract over four years is \$1,060,000.

The original RFP for this contract was issued on September 24th, then reissued on November 18th after both the respondents to the original RFP failed to meet the project's minimum qualifications. On December 23rd, the Port received three written proposals. Regrettably, one of the proposals was deemed non-responsive because it was received after the submission deadline.

The two remaining proposals met the RFPs minimum qualifications. Both firms were evaluated by a three member panel and both were short-listed for oral interviews. Oral interviews took place on February 6th. Reference checks for this contract were incorporated in the overall proposal ranking, not after award.

The San Francisco Conservation Corps scored 93 points in their final ranking. That number was increased to 103 points after application of the 10% bid discount. The Hunters Point Family scored 80 points.

San Francisco Conservation Corps was selected for 75% program award. They were selected for the breadth of their organization and prior project experience. As I mentioned, San Francisco Conservation Corps has administered this program for the past nine years. They were originally founded 30 years ago by then Mayor Dianne Feinstein.

All of their references gave them excellent reviews. They've served on similar contracts with the Department of Public Works, the PUC, the Recreation and Parks Department. They will direct 30% of their project work to their subcontractors the Larkin Street Youth and A. Philip Randolph Institute of San Francisco.

Both contractors will provide monthly updates that include the youth that have participated, the volume of training sessions and career development goals attained. San Francisco Conservation Corps will be paying youth participants \$12.25 an hour. That's \$1.20 increase over last year's contract. A total of 15% of their program budget is dedicated to administrative salaries and 44% will be going directly to youth participants. And that is a 4% increase over last year.

This slide shows a comparison of the Conservation Corps original 2013 contract submittal, their revised 2013 contract after renegotiation, and this year's proposed contracts. Again 44% will go directly to the youth, that's a 4% increase over last year. We also contacted the Human Services Agency to see how well their program funds participant salaries and found that SFCC's program is in line with comparable programs that employ supervisory staff to guide participants.

The San Francisco Clean City Coalition is the city's largest neighborhood beautification program. It's run by DPW. Their program is the closest in scope to ours and Clean City spends about 45% of their total contract directly on program participants which is in line with the San Francisco Conservation Corps.

Hunters Point Family did not score as well as the San Francisco Conservation Corps. However, we had the option to, with this RFP, to award up to two contracts and they really piqued our interest and the panel's interest. They've been working the Bayview Hunters Point since 1997. They received stellar reviews from other City agencies that have engaged their services, and the selection panel was particularly impressed with their ability to engage and recruit at-risk and economically disadvantaged youth from the city's Southeast sector.

Hunters Point Family does not have any subcontracting work, however they've been selected for 25% of budget award. Though Hunters Point Family is not currently an LBE, we're working with the Contract Monitoring Division to bring them into compliance and get them an LBE certification. Nine percent of their program budget will be dedicated to administrative salaries and 49% of their overall budget will go directly to program participants.

This slide shows the allocation of Hunters Point Family's program budget. Participants will receive a minimum of \$13.50 an hour and again, 49% will go directly to youth.

Finally, the performance metrics established through last year's process will be implemented in this contract. Monthly updates will include information about participants served by neighborhood, participant demographic information, information about work performed, the location of where that work was performed, the volume of educational and career training sessions will be reported monthly. Every year, we'll ask them to summarize those monthly reports in an annual report for us.

I am joined by Tom Carter, the Deputy Director of the Maintenance Division, Janet Gomes, the Deputy Director of the San Francisco Conservation Corps as is Jacqueline Flin the Executive Director of the San Francisco A. Philip Randolph Institute. Lena Miller the Co-Executive Director of the Hunters Point Family is also here along with some of her staff. I'm available to answer any questions you may have.

Lena Miller, the Founder and Co-Executive Director of the Hunters Point Family - I want to tell you how excited we are to participate in this. We are starting some other landscaping work up at Hunters View. We're going to be working on some stuff with the Blue Greenway and really looking to expand our green programs which have been around since we were founded in 1997. I want to thank you so much for this opportunity and it looks like we're really in the right place.

Commissioner Katz – Thank you for the work you do.

Janet Gomes, Deputy Director of the San Francisco Conservation Corps - I'd like to thank you for your ongoing support. I want to provide you a little bit of highlights on some of the performance measures that we completed last year with A. Philip Randolph and also Larkin Street Youth Services. We implemented 18 projects, zero work injuries. Because we serve the older adult population, the 18 to 25 year olds, 18 of our participants obtained their high school diploma and 23 of our co-members, that's what we call our participants, obtained unsubsidized employment. They became solar panel installers, laborers, carpenters, restaurant workers and an individual also landed with the San Francisco International Airport in their janitorial program. I'd like to thank you once again for your continuous support.

Commissioner Katz - Thank you for all the work you do.

Jacqueline Flin, the A. Philip Randolph Institute - I'd also like to thank you all for your commitment to our youth. Last year I was able to bring our crew over before they had to go out and finish and site on Cargo Way but they were all here to not just thank you but tell you guys about the experience that they had and what they learned. Fortunately I was able to leverage some climate change education through the PUC and introduce these kids to what environmental stewardship actually was.

All those kids have moved on to applying to other City jobs this year and so far four of them have already been hired to Rec and Park as well as the SFPUC's summer programs. I appreciate your efforts to make sure that we educate our young folks and prepare them for the future. These are true career paths that they'll find as they get more experience. Thank you again.

Commissioner Katz - Thank you for all you do.

Commissioner Brandon - Thank you for such a wonderful presentation. I'm really happy to see so many wonderful groups coming together to work on this project. I have a question about how the 75/25% split came about.

Boris Delepine - The 75/25% split came about when we looked at the subcontractors that were working with SFCC. SFCC scored higher and the 25% was a starting bid with Hunters Point Family with the hope to increase that later as they go.

Commissioner Brandon - When we originally sent out the RFP, was it that it was going to be 75% for the prime and 25% for the sub?

Boris Delepine - No, Commissioner.

Commissioner Brandon - Is that just something we came up with after the selection process?

Boris Delepine - Yes.

Commissioner Brandon - How much of the 75% is going to Larkin and A. Phillip Randolph?

Boris Delepine - I believe that 30% total is going to the subcontractors and I believe it's a 20/10 split with Larkin Street Youth having 20% and 10% with APRI.

Commissioner Brandon - So the 30, 25, 45% that's left, where do most of those kids come from? Are they from all over San Francisco or the Bay Area?

Janet Gomes - These are just rough numbers but if you want me to give you the exact ones, I can. Roughly 40% of the population comes from Bayview Hunters Point. The next tier is Western Addition. After that it's Tenderloin, Mission District and then just a combination of other.

Jacqueline Flin - I wanted to add that because the Conservation Corps does work with the 18 and older, the opportunities that arose for Larkin Street and APRI were to serve youth under 18. So we had 16 and 17-year-old high school students that were able to participate in the program. The budget wasn't huge, but we were able to serve a number of kids just to introduce them to the work. The Conservation Corps could be another step for them,

but even after our program, they were working with the City. So our target is actually Bayview Hunters Point.

Commissioner Brandon - My concern has always been the money that goes directly to the kids and getting that money to the kids. I know there are a lot of administrative fees and I know that a lot goes with these programs and they have to have instructors and they have to have supervisors. But I always want most of the money to go to the youth.

Hunters Point Family is paying the kids \$13.50 per hour, and Conservation Corps is paying \$12.25 an hour. I don't know why we would give the larger contract to someone that's paying less to the kids.

Boris Delepine - For administration of the larger contract, essentially I guess that's why.

Commissioner Brandon - If Hunters Point Family got more of the contract, they would not be able to pay the kids \$13.50 because the administrative costs would go up?

Boris Delepine - I don't know if it would be that much of a decrease in the end salaries.

Commissioner Brandon - That's my point. My point is I always want to see more money going towards the kids than the administrative costs if possible. I personally feel that I would be a little more fair with this contract. I haven't hear good reasoning of why we're doing 75/25 when we had two organizations apply for the contract. They both qualified. They're both working with the same youth, 95% in the Bayview section of the city.

If the Conservation Corps can raise what they're paying the kids, I would love to continue to give them 75% of the project. Otherwise, I would tend to want to at least go 50/50 or give more towards Hunters Point Family.

Commissioner Woo Ho - My question relates a little bit to that, but in terms of the change in San Francisco Conservation Corps, I do agree with Commissioner Brandon, we went through this last time in the whole conversation about how much money was going to the youth versus all the other administrative overhead.

My question relates to how improved from the 4% increase over the previous, how did that happen? Is it because they're paying more or are there more youth? Neither presentation really focuses on how many youth are being served by these programs. I think that would be important for us to understand how many kids are getting the benefit of these programs. I still don't know what the population is under both scenarios. Because we're talking about potentially over four years a million dollars which is a lot of money so how many kids are going to be affected by this?

Janet Gomes - Last fiscal year, we were to serve 41 participants. We actually ended up serving 130 participants. Because we got reduced down in funding, we're probably looking at maybe 100 people that will get served from all three agencies.

I can go ahead and explore the possibility of paying \$13.50 an hour, but that does cause potential issues within my other programs that I have going on because the San Francisco minimum wage is increasing to \$12.25 an hour. That's our base rate. I can go ahead and explore what that really means.

I also want to point out that there's other matrix or performance measures that we're required to go ahead and report on, that the Port is not paying for such as the high school diploma program, our career development program, job placement services, all of the recruitment. There are a lot of added services that we perform as a total package.

In addition to that, we're a certified pre-apprenticeship training program. Also within this RFP, it had some language in there that we have to go ahead and make sure that we're in compliance with all the safety type regulations in order for us to go ahead and use power tools for this particular project.

Commissioner Woo Ho - That's interesting. All those things you added, the high school diploma program, were those part of our RFP requirements?

Janet Gomes - Yes, those were performance measures that were presented to us that we need to be in compliance with so that forces agencies to go ahead and leverage, bring resources to the table as well.

Commissioner Brandon - I'm wondering if Hunters Point Family provides those same services or they have something different.

Lena Miller - We do also provide the services, probably not to the extent of Conservation Corps. We have great respect for Conservation Corps and we've worked with them.

Commissioner Brandon - As do I.

Lena Miller - We also have WIA contracts and that's part of our contract. The name of everybody's game is, "How do you leverage your existing contracts to have the best outcomes and to meet the outcomes that are required by the Port RFP?" I know for us, 90% and all of us born and raised, live in Bayview Hunters Point.

Every time that we look at a contract, we have a very lean operating budget as most community based organizations in Bayview Hunters Point have. We're always trying to look and find as much money as possible in the pockets of the young people that we serve.

We've made it an art over the years to operate on as little fat as possible to try to make sure that we put the money in the pockets of our young people. We also provide the apprenticeship services, particularly for environmental stuff. We have an EPA contract. We partner with YCD very closely for other apprenticeship programs. We have the GED high school programs. We have the job placement, recruitment, all of that through OEWD, WIA contracts as well.

Commissioner Adams - I want to thank everybody for coming out today. I understand Kim's concerns. This came up before. I don't know what we do to equalize the money and Commissioner's Woo Ho's right. We came to this before. Maybe the Commission's not clear. I don't know what we do or if Commissioner Brandon wants to be involved in it. We've come to this and she seems to be unhappy that the money's maybe not distributed equally or whatever. But I know we have a process and then people are listed in the process as a first and a second. Maybe Kim has a better understanding or somebody could help us.

But I really appreciate these programs for the kids. Because I understand that and I see all these young kids getting killed in the streets and dropping out of school and these programs are so important. We have a social responsibility to help out. I don't know how to get more money because I agree with Kim, a lot of times money gets caught in the bureaucracy, where it needs to go to the kids so they can have some money in their pocket. They'll be less likely to go out and do something bad and to get them on the path of wanting to do something positive in life.

This is important. We can't just like pat ourselves on the back. The last couple times, this has been a problem. They always say, if you keep doing the same thing repeatedly, it's insanity. We've got to figure it out that the next time around that we do that, that is right.

Maybe Director Moyer and Commissioner Brandon can work on this. I know Kim and Doreen are the numbers people on this board. Maybe they can figure it out. I'm just a working guy, I'm just a union guy, but they're more experts in the field of money and economics and so maybe they can figure out something.

Commissioner Katz - I'll echo the comments of my colleagues. All of us are very appreciative of the programs. We're all on the same page and reaching for the same thing, which is to work with the youth that are most in need of getting this added opportunity and training. I want to thank all of the organizations for participating.

We'd turn to you to see if there's any thoughts that you all have on ways we can improve upon our working with you to make sure that we maximize funding going to the youth and doing as much as we possibly can. Certainly our goal is and I know it's yours as well but as we struggle with this and then

life in San Francisco is so terribly expensive, we want to make sure we create as many opportunities as we can for people.

Monique Moyer - Let's give them a minute to put their heads together. But I do want to take a moment to pause and say, "We've had this program nine years and for seven of the nine years, or something like that, we've only had San Francisco Conservation Corps." It's a primary, they took the first gamble on the Port. They helped us to develop our program. We were lucky to be able to add Larkin Street. I think they've been very consistent with us.

I believe it was last year we were lucky to get APRI and I loved what Miss Flin just had to say about her folks. Initially the vision being that they would graduate into the Conservation Corps, but instead they've actually graduated into City government which is beyond excellent. Congratulations for that Jacquie, that's just huge.

I love seeing Lena here. We worked together a long time ago, many mayors ago, a couple pregnancies ago, and it's fabulous to see her here. I know she'll do great things for us. Whatever the ultimate outcome and split is, we have good partners.

Commissioner Brandon - We definitely do.

Monique Moyer - I'm excited about that. I'm sure they will help us get there. They do have real costs. They are working really hard in an expensive city and we are getting, as far as we can tell, the most money to the kids of anyone so far and we understand your frustration that it isn't the split that you would like to see. But I think we are still getting great results and what they're doing to get people into permanent jobs is fantastic. I want to celebrate that for the moment. Now, did you come up with something? I bought you a lot of time there. I'm still celebrating.

Meghan Wallace, Port's Budget Manager - I've sort of been watching the RFP and supporting it from the sidelines, but I don't have a solution at this point. I think it's more turning back to you all in terms of process. Like, if it means continuing the item or asking us to negotiate under certain guidelines, but I wanted to just reiterate a couple points that Boris made.

The chart that shows how the different organizations scored showed the Conservation Corps scored higher partly because of their LBE points. It's a priority we set as part of identifying which partnerships we would want to make, we recognize this organization has subcontractors who are LBEs. That raised them higher up on the bar.

The 75/25 split was partly driven by that, the fact that SFCC scored higher, therefore they would get a higher portion of the contract. The salaries received by youth under the different proposals, those weren't set in the RFP. Maybe moving forward it would be helpful to have a salary that the

Commission thinks is reasonable. "Is minimum wage enough?" would be one question. If not, what would be a good amount?

Another piece might be, just recognize that if youth get higher salaries, maybe that means that fewer youth are actually served by the organization. Because we don't know what the fixed costs are of those groups.

Commissioner Brandon - Maybe that should be part of the presentation. Maybe the presentation should have how many each group is going to serve and what those costs are broken out so we can understand that. We clearly heard all of Boris' comments and we really appreciate those comments. But I think it's not just one factor. It's not who's done this the longest or who scored the highest. It's the youth and what is actually being done with the youth and what's going to the youth.

I want to agree with Monique. We have great partners. San Francisco Conservation Corps is the ultimate youth organization. Larkin Street, A. Philip Randolph, Hunters Point Family, they're all wonderful organizations. I just can't see from this report, why it's 75/25 and why less is going to the organization that's paying the kids more. If you can show me something that states that, I'd be happy to look at it.

Commissioner Woo Ho - My suggestion is to continue the item to give staff in the organization the chance to put their heads together. San Francisco Conservation Corps have been around longer. Their programs may be a little bit more developed and some of the other features that we asked for, and that's why their costs are a little higher. I don't know the answer. We are all wondering why the differentiation but maybe a little bit more in depth discussion as we're not going to solve it right here and now. This is something that we are very dedicated and we have passion over. If it doesn't cause an issue to continue it and to get a little bit more in depth answers, and then we can evaluate it.

Is it because you can talk about having a high school diploma program that helped people to do A-B or does it go through A-M? I mean, these are differences in terms of what costs are. We don't know the answer and I don't think we want to debate that here in the Commission. We want to understand all those costs and the wage differential is something that both sides need to think about. Obviously we do want most of the money to go to the youths, but how many youths do you want to serve? Those are things that we want to balance out too.

Commissioner Katz - I hope my comments were taken that we are tremendously supportive of this program and I think the time that the Commissioners put into focusing on these contracts should be reflective of our passion and the importance that we put to providing the training to the youth. I personally am very proud of what the Port has done and the partners that we're working with.

To our partners, is there something that we're doing or putting in the RFP that might put added onus on the organizations that causes further administrative costs that may not be necessary that if we were to look at it a different way, could we see that more money could go towards the youth and we always hear complaints that government does put potentially too much on our partners at times in terms of just the paperwork. Are there things that we could look at that might make it more streamlined or easier for us all to achieve the same results which is the bottom line, being as effective as we possibly can for the youth?

Monique Moyer - Given the late hour, why don't we continue the item so that we can work on it?

Commissioner Katz - That was the directive I was trying to give. It may be too late potentially for this RFP but is there something that we should all look at while we're talking about it so that as it keeps coming back, we can understand.

Monique Moyer - One thing that probably predates most of you is we started this program as a grant program and that ran afoul of some City requirements and so we converted it to a contract. When we converted it to a contract, we had to look hard at measuring the services that are provided under the contract and all of the normal criteria we use to measure the quality of the services and so we're not really measuring the benefit to the youth.

Maybe it's time to revisit with counsel if we can do that. Unless we start over, it won't affect this solicitation. But that's why the disconnect happened again. We'll have to explore with counsel what flexibility we have. In the meantime we'll explore with our partners also what some of our service requirements are and see if we really need to be buying that level of service.

Commissioner Katz - So if we can continue this item to our March 24 meeting?

Monique Moyer - Certainly, thank you for that.

Commissioner Willie Adams left at 6:20 p.m.

12. PLANNING & DEVELOPMENT

- A. Informational presentation regarding the revised Forest City mixed-use development plan for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay, and proposal for a Pier 70 Special Use District.

Brad Benson – I'm here with Pier 70 team, Byron Rhett, Diane Oshima, David Beaupre, Ricky Tijani, Sarah Dennis Phillips from Office of Economic and

Workforce Development. We're joined by Jack Sylvan and Kelly Pretzer from Forest City.

We've been working with Forest City since 2011 to plan development for the Waterfront Site, a 28 Acre Site within Pier 70. The Commission endorsed a term sheet in June of 2013. We were well on the way to developing a Land Use Plan consisting with the term sheet, and voters weighed in passing Proposition B in June of 2014.

At the staff level, we have been very impressed at how quickly Forest City reacted to that set of circumstances, adapted to the new reality that voters need to approve height limits under local law for development along the Port. They did outreach, got consensus around a proposal, Proposition F, which was on the November ballot increasing heights for the Waterfront Site from 40 feet to 90 feet effective when the Commission and if the Commission approves a project consistent with that.

Proposition F set a number of other policy statements related to the development of the Waterfront Site. We've also been impressed at how quickly Forest City, after the approval of Prop F in November by a 73% vote, has assembled a team and is working very hard to refine the Land Use Plan and head towards environmental review, which is also required by Proposition F.

We're working with them to develop the materials that will be needed for a notice of preparation of an Environmental Impact Report which is expected in April. We wanted to offer an opportunity for the Forest City team to present the land use vision as it is planned to be studied in sequence.

Jack Sylvan – Thank you for the opportunity to come to you. As Brad mentioned, last year was an active year. One of the things that we did was continue the community outreach that we had been doing in partnership with you all and that included the ability to have community events and tours at Building 12. It was the foundation for getting folks out to the site to see the opportunity that we all have to create something great.

As Brad said, as the election was getting closer, we set up our design teams and the team that we have with the Planning Department to initiate the environmental review. I think it was two days after the election, we submitted our paperwork that we needed with the Planning Department to start the CEQA process. As Brad mentioned, the term sheet in the middle of 2013 set the Land Use Plan that I would say 95% of which you will see today remains true.

With the Prop F step last year that in some ways we think of as really advancing two years ahead of schedule the community outreach that we would've naturally needed to do for project approvals, we're now moving into the more detailed design and planning.. The EIR really drives the process.

We're somewhere in the range of a 21-22 month EIR process that is driven by the time frames that the Planning Department outlines.

We will work as hard as we can to make that process happen quicker than those 22 months because time is money. On a concurrent basis, we will be working on the specific plans that inform the CEQA analysis and are part of the package of materials we would ultimately bring to you asking for your support, that include design guidelines.

This is what has been done at Treasure Island, at the Hunters Point Shipyard, at Mission Bay. A Transportation Plan. Transportation is obviously something that in this part of the city people are very focused on. Infrastructure Plan, Sustainability Plan, Open Space Plan -- all of those things we're working on a parallel path with the EIR and would be happy to come and present those to you at the appropriate time.

Kelly Pretzer who works with us at Forest City, will quickly walk you through the Land Use Plan and the program that is associated with the EIR. Most of it will look familiar and we're happy to answer questions as we go through it and at the end.

Kelly Pretzer - The structure of this presentation works westward on the site towards the east, so we're going to start with what's referred to as the Illinois parcels. You'll remember that in the 2013 term sheet, it was contemplated by request of the City and the Port that included in the 28 Acre Site, which was part of Forest City's development opportunity, there would also be Port owned property at Illinois and 20th Street as well as a PG&E property referred to as the "Hoe Down Yard" at the corner of 22nd and Illinois. Those properties would be included as part of a Special Use District and analyzed as part of the environmental review process. It added some efficiency there, it was a more holistic planning approach. As contemplated in the term sheet and as you will see in the notice of preparation, those properties are included in the plan.

Those properties have been the subject of much study and planning, prior even to Forest City's joining the project. This is an excerpt from the 2012 Master Plan. You'll see the 20th and Illinois property here outlined as 3A and 3B on this slide. It was always contemplated that those properties would be residential use. Consistent with that, with the 2012 Master Plan, the proposed project has those properties as residential uses.

Now moving south to the PG&E owned site, the Hoe Down Yard is directly across the street from the PG&E switchyard facility at 22nd Street and Illinois. The Hoe Down Yard is presently used as a soil recycling facility by PG&E.

This Commission approved, nearly a year ago, a lease agreement with PG&E for a transmission cable that also included the terms for the City to purchase the Hoe Down Yard. The proceeds from that purchase, after the site had

been entitled, would go towards funding affordable housing, specifically HOPE SF and the rebuild of the Potrero Terrace and Potrero Annex.

This is an image of the Hoe Down Yard. You can see Building 12 in the distance. The Hoe Down Yard soil recycling facility to the left, and then across the street, the switchyard facility.

Given the uncertainty of whether that switchyard facility remains in the longer term, in consultation with Port staff, we're proposing flexible use for the Hoe Down Yard site. That could be either residential or commercial use, and in a lot of ways, it allows us to be responsive to adjacencies and also to market demands in the future, and allows us to study the option for both uses on the site, and then ultimately determine what the most appropriate use is as we're further on in the project.

If all the proposed buildings there were to be built as residential buildings, approximately 874 residential units would be constructed. If the Hoe Down Yard were to be built as a commercial use, you'd have 546 residential units and approximately 240,000 square feet of commercial office space.

We are analyzing both projects as part of the environmental review. We're looking at a maximum residential project and a maximum commercial project because they have different impacts, different kind of travel schedules, passive travel. In order to preserve flexibility to do either use, we're studying both in that CEQA document.

The "28 Acre Site" also referred to as the Waterfront Site is the proposed Land Use Plan and as you'll see, for the most part very similar to what was included in the term sheet, remaining commercial uses on the northern edge of the site adjacent to BAE. As you move into the center of the site, you have the prominent Waterfront Park as well as the portion of the park that draws up to the historic buildings, Building 12, 2 and 21 which aren't specifically called out here. But as was contemplated in the term sheet, those will be rehabilitated and reused.

On the southern edge of the site, you'll see that there are four parcels that are similar to the Hoe Down Yard proposed as flexible use, either commercial or residential. The purpose of that is twofold, first they're adjacent to the former Potrero Power Plant facility which is decommissioned, though its future is not entirely certain and the timeline certainly hasn't been established for any reuse of that site.

The proposed flexibility allows for some responsiveness depending on the timeline and what is proposed. It also provides some flexibility to respond to market conditions. Typically residential uses tend to be the more pioneering uses. Those are generally the users that are more willing to go into, for lack of a better term, uncharted territory with commercial users following thereafter.

This flexibility allows us some ability to respond to where the market is and how its receiving Pier 70 as a potential commercial office site.

Another point I'd like to make is referred to as Parcel C1 and Parcel C2. As part of the term sheet, both of those parcels were contemplated as district parking facilities and the plan continues to allow for district parking facilities at those sites. However, given the long-term phasing and build out of the proposed project and uncertainty about future vehicle ownership, what we are proposing is to also study those as GLA or as revenue producing uses, namely for C1, either residential or commercial and for C2, as residential. What that allows us to do is if in the future, the district parking facility isn't the most valuable use for that land or if it just doesn't make sense to build a district parking facility that the potential for program isn't lost there and that something can be built on those sites.

In summary, the program of the 28 Acre Site, if all of the flexibly zoned parcels were to be built as residential, you have a maximum of approximately 2,100 residential units. Conversely, if all of those that were zoned flexibly commercial were built as commercial uses, you'd have approximately 1,000 residential units and 2 million square feet of commercial. The same approach is taken on the Illinois parcel, we are studying both projects as part of the environmental review to allow us to build either end of the bookend or somewhere in between.

Included here is sort of a larger view of the 28 Acre Site and its evolution over time. As contemplated in the Port's 2010 preferred Master Plan for Pier 70, it was approximately 2 million square feet of GLA at 28 Acre Site. As part of the 2013 term sheet, that was increased and there was approximately 3.2 million square feet of GLA. The 2015 project proposed for environmental review has approximately 3.4 million feet of GLA.

While the overall height of the site has been decreased, you'll recall that those three towers weren't terribly large in area. While it feels perhaps like a larger decrease in height, the actual area associated with those towers was relatively small. Additionally, the flexibility for the district parking facilities, that GLA is added here as well and can be attributed to a few hundred thousand square feet.

With regards to the proposed parcel heights, this map was attached to Proposition F and shows the 28 Acre Site and the height reclassification from 40 feet to 90 feet. Added to the map, which was not included in Proposition F, but you'll see the predominant area of the Illinois parcels are currently zones at 65 feet. We're proposing leaving that zoning in place.

There is a small portion of the PG&E owned site, the Hoe Down Yard which is currently zoned at 40 feet and we would propose as part of the project approvals to increase the allowable height at that area to 65 feet to be commensurate with the rest of the Illinois parcels.

However our proposal on the 28 Acre Site is not to have every building at 90 feet. What you'll see is the proposed height variation and individual parcel height limits. The dark purple, the key is small and I apologize about that, but as a general rule, the dark purple parcels are those that would be allowed to be constructed up to 90 feet. The sort of teal/aqua color are historic buildings. The lilac color is a maximum of 70 feet. The light blue color here along the waterfront is a maximum of 50 feet.

Finally, while we spend so much time talking about the 28 Acre Site, Pier 70 is much larger than that. I like this slide because it really shows the diversity and variety in uses at Pier 70. A full 75% of the entirety of the site would be something other than new construction. Parks, open space, maritime uses, historic buildings. Of the 25% that would be new construction, approximately half of that are buildings that are 70 feet and below and then the other half of that are buildings that are between 70 feet and 90 feet.

Jack Sylvan - As Brad mentioned, either the end of April or early May, we will be issuing what's called the Notice of Preparation. It effectively describes the project with a little bit more detail, particularly textually. It is sent to all the agencies, all the stakeholders that have been involved in the process. It's an opportunity for people to submit their thoughts on what they would like us to study, questions that they have, that become included in the analysis that our CEQA team will actually prepare.

Our hope would be that hopefully by Christmas, we can deliver a Christmas present that is a draft EIR. Then sometime in the middle, summer of 2016, we would have our final Environmental Impact Report and this drives the timeframe. We have to have our Environmental Impact Report certified by the Planning Department in order for you all and for the Board of Supervisors to approve the development agreement and all the attendant documents that are associated with that.

That is the timeframe that we are working under and that is the project that will be studied in the environmental document.

Commissioner Woo Ho - I appreciate the presentation. I think we have a better understanding of how you are proceeding with the land use at this point in comparison to what we had seen before. I don't have any detail questions at this point because I think obviously we need to see as you progress, but having these updates are helpful for us to understand how you're thinking about the land use. Obviously that will help us understand the business terms as we go down the road.

Commissioner Murphy - Thank you very much for the update. It looks like you're moving right along. Of course the Environmental Impact Study always holds projects up. It's an exciting project. Good work.

Commissioner Brandon - I think we all agree. It's a great presentation and the project is really exciting. We are glad that it's moving forward. You guys are doing such a great job.

Commissioner Katz - I concur. Thank you for the presentation. In particular, I want to single out the work that's really been done with the community and the approach to reaching out. We're all very appreciative of those efforts to get broad support for a project. This is something that the Port will be very proud of in years to come. It's sometimes a long process now, but I am continually excited by everything I see and appreciate your coming forward.

We talk about the former, with the parcels sort of on the southern side, that we aren't quite sure what's happening there. Do we have any indication at all? Have they moved any further along in seeking proposals for that site? I know it's really not on any of our hands, but have you heard anything?

Jack Sylvan - Our understanding is that the land owner, a company called NRG, has selected a development partner and that they are going through the initial stages of their process. That's really as much as we know.

Commissioner Katz - As it stands we don't know if it's going to be mixed use, residential or it could be anything?

Jack Sylvan - It's probably not appropriate for me to guess at that.

Commissioner Katz - But just as you're referencing the ability to adjust as that goes forward, is that what was meant just in terms of looking?

Brad Benson - Jack's right that the land owner and its development partner haven't announced any public land use program but a clue would be in the recent renegotiation of the land use covenants over this site. PG&E which was a prior owner of this site had gotten a residential deed restriction in place. There's been a negotiation to allow the lifting of that residential deed restriction under certain circumstances. It's likely that they are contemplating a mixed use project on the site.

Commissioner Katz - I was wondering what kind of impact that would or wouldn't have on the parcels adjacent there.

Jack Sylvan - It's a really good question and what happens on those southern parcels, as Kelly mentioned, is a combination of several things. One is what, at the point that we're ready to start developing that area of the site, what is the state of the Potrero Power Plant site? Or what is proposed to change in its timeframe? What is its adjacent use? Another is, what is the market?

It's pretty common in San Francisco to have market conditions where residential is strong but office isn't, or vice versa. Frankly, the biggest

challenge for us is residential uses will often go into areas that don't quite yet have the neighborhood amenities fully developed but office users are much more reticent to do that. Our ability to actually create those amenities is a piece of being able to attract those folks but we won't actually know until we get to the point of starting to do some of that marketing of the site.

Commissioner Katz - I appreciate you coming and we look forward to subsequent presentations and updates.

- B. Request approval of Lease No. L-15901 between the Port of San Francisco and FC Pier 70, LLC for approximately 43,040 square feet of paved industrial land near Illinois Street and 20th Street for (1) retail activities (such as a beer garden, food trucks, and food carts); and (2) a variety of cultural, educational and recreational activities, including special events which benefit the public for a term of up to four years. (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.) (Resolution No. 15-10)

Brad Benson – I'm presenting this item together with the team who's been working on this project, Elsa Lamb, Byron Rhett, and Rona Sandler. This is a proposed lease for a four year period on one of the Illinois parcels that you just heard about in Jack and Kelly's presentation. This is an industrial area. There's some residential development north of 20th street, but when you get south of 20th Street, you're in a heavy industrial area. There's the PG&E switchyard, American Industrial Center across the street.

The idea for this lease is to introduce some retail activities and some community oriented events and opportunities to introduce the public to Pier 70, to draw people to this area that has been closed off to the public for a very long time and to smooth the way for the entitlement process that we just talked about.

The goal of the early activation is to get the public down to Pier 70. It's also to generate early market interest in the site, develop a base of tenants that could move into the Waterfront Site.

This map shows the Pier 70 area that is going to be in the SUD that's under the Port's ownership. It excludes the Hoe Down Yard. We've got a lot of interim leasing activity, but it's mostly industrial in nature. We have storage, car parking, taxi firms and the like in the area. On the Illinois Street side, we have a new Impark parking lot which is going to be a welcome addition to the neighborhood. South of that is the one acre site that we're talking about for this lease.

With regards to the permitted uses -- the anchor use is a beer garden with public seating. They're also envisioning retail activities including food trucks and local artisans who might sell the products that they make. They're planning special events like movie nights at this location, music, art shows.

They're thinking about pure public benefits. It's almost like quasi-park kind of set of improvements. A children's play area, maybe after school day camp, restrooms, bike parking.

There will be prohibited uses in the lease of parking, because there's a parking lot that we want people to take advantage of just to the north of the site. Also prohibited would be off site sale of alcoholic beverages.

This is the premises, so the picture at the bottom of the screen is standing on Illinois Street looking east across the Pier 70 site. You can see the Building 113 in the background. This driveway that you see right now is in the premises map, the gray shared entrance to both the Impark parking lot and this area, this one acre lease.

The rent and other lease terms -- we're looking at market rent for Parcel A where the beer garden will be, approximately \$5,250 per month escalating thereafter by 3%. For the larger area where the children's play area will be and there will be fewer commercial uses, a lower rent of \$1,400 per month escalating to a little over \$3,000 per month in year three if this use stays longer.

There will be a construction period rent. Construction could last up to nine months, but the construction period rent will only last until they either build the improvements or that nine month period expires. That's 50% of the base rent.

Forest City and its subtenants will be paying 100% of the tenant improvements of the site, estimated at \$900,000 to \$1 million. They'll also be improving the sidewalk area, the public area outside the site. In addition the base rent, a participation rent of 25% of annual sublease revenues after they've amortized their site improvement costs. We actually don't expect a participation rent within the four year lease term. It's more of a home run protection.

Final terms -- a security deposit, compliance with the Port's Southern Waterfront Community Benefit Policy, our good neighbor policy to make sure that these activities don't bother the surrounding neighborhood and the zero waste events and activities policy. We've consulted with the risk manager about increased insurance requirements given the events going on at this site. This is a four year term but we do have the option to terminate earlier if we want to develop the site for the residential uses that Kelly spoke of.

In addition to those economic terms, we're projecting about \$58,000 annually in additional parking revenue to the Port from the Impark parking facility just to the north from trips generated by people visiting this site. This is the projected rent that we see on an annualized basis including those projected parking revenues, over a half a million dollars over the four year term of the agreement.

This gives you a sense of future development of the area. The yellow here is the proposed 21st Street that would be approved as part of the Special Use District. What's outlined in blue is Site K North, a residential parcel that may be one of the first sites developed as part of this SUD.

Jack Sylvan - I would like to start by first of all saying to the comments that President Katz made about the community outreach that we've done, we've really been able to do that with your support. As I mentioned Building 12, which at one time was an auto return lot. You guys gave us the opportunity to begin to invite the public down into the site. It actually really did prove instrumental in folks who don't know where Pier 70 is, coming out to the site and seeing really the opportunity for something that's part of a future waterfront.

There have been a series of events, movie nights, we've had some larger events. When it rains outside, it rains inside. One of the things that we're actually about to do is to waterproof that building to protect it from further deterioration. It also enables us to have more of the revenue generating events that we had anticipated being able to have.

The Super Bowl's coming up. We think that this is going to be a great venue to support special events associated with that. As we utilize Building 12 more for revenue generating events, there, we think, will be an increased onus on us to find ways to continue to draw the community to Pier 70 in a way that supports the entitlement efforts and the project approvals as Brad mentioned, but also to start to create the amenities that somebody who buys that first residential parcel will want to see investment being made in and the future office users that we're trying to attract to the site.

This is about reducing risk. It's about trying to make Pier 70 less pioneering. The more we can create the amenities that folks will want to actually see as making the living or working at the site viable, the more we are making Pier 70 less pioneering.

We had some community outreach about a year and a half ago around interim uses that would be there on a daily basis. The things that we heard from the community were a place to sit outside and to have something to eat and drink, an arts component, if possible a place to see people making things and activities that could happen on a weekly basis like a farmer's market. This is what the site looks like today and where we're at in terms of the programming for the site.

As Brad mentioned, this area at the southern part of the site, it's about a third of the site, is where Speakeasy Ales & Lagers who is a Bayview business. They really get the brand, the feel of Pier 70. They will build and operate a beer garden that could have seating for 3-400 people serving initially just their product but potentially if the use is successful, they could be serving wine for those of us that are wine drinkers, or other maker's beers as well.

As Brad mentioned, a lot, we're trying to create something that is a draw for families that there is a burgeoning family demographic in the Dogpatch, Mission Bay and Potrero and there is an opportunity to create something that is a draw for them.

One of the things that we heard very early in talking to the community is we would love to have a place like the Park Chalet at the end of Golden Gate Park where people can go and sit in Adirondack chairs and have something to eat or drink and their kids can run around. There actually is an opportunity to do that here. The joke I always make, this is a little tired now, is it'll actually be sunny at Pier 70.

This is something that we're going to have to invest in and work with partners to actually operate this. Of course there needs to be a food component. The infrastructure on the site doesn't lend itself to anything other than food trucks. We have a relationship with La Cocina -- actually that was the thing I was going to mention about Building 12.

If we have not yet told you, one of the things we're really excited about is La Cocina, which is a non-profit that incubates food entrepreneurs, primarily women and minority owned businesses that is located in the Mission. For the past 10 years, La Cocina has hosted the street food festival in the Mission that attracts probably 15,000 people on a weekend to this event, is actually going to be happening at Pier 70 this August. We're really excited about that. Through that partnership, one of the things that we're working on is finding the right entrepreneurs through La Cocina who operate the food trucks that are a complement to drinking beer. Obviously we want the food to be a match for that.

Here are some early graphics from the Speakeasy folks and their architects. A wooden deck, very simple. One of the things that we had to start with is understanding that we're trying to create an amenity that ultimately could move into the 28 Acre Site. But knowing that we could have as little as two years at this location, we need to be resourceful and efficient, so we are going through a design process right now.

We're working with the Port's team to figure out things like fire access and ADA but we're very excited about Speakeasy, about the fact that they are local, that they're from the Bayview. They hire in the Bayview. That this is going to be something that is going to be an anchor use. Worth noting is this is here for two to four years and then we wrap it up and put it aside. The goal is to establish something that draws thousands of people here each year.

At the point that the project is approved and Parcel K, where this is located, is sold by you all -- and we understand that that is the priority. We share that priority. At that point, we're able to transition this whole use as a package out towards the waterfront. In a way it's almost leaving bread crumbs for folks to

come out further into the water. Again, to help them to develop this already established base of folks who feel an investment in Pier 70.

To the family friendly play area, we're not exactly sure what that is. It could be a structure on the left side of this graphic, you see some more interesting play structures that could be made out of wood, recycled materials. Something that we're interested in -- there's something in Berkeley called Adventure Playground where kids come with their parents and they actually build things. Could be a great fit given the history of Pier 70. We would need to identify an operating partner. That's the graphic on the lower left. It could be as simple as ordering some mobile play elements that could be stacked up, could be moved -- that's the blue blocks that you see. This is at the Bay Area Discovery Museum. Very simple, will require some site preparation, really flexible. The Bay Area Discovery Museum is another entity that we're talking to about doing programming out at the site.

We're really excited about this. We're really excited about the partnership with you all to begin to create the future of Pier 70 today. We will invest money in this which means we will actually lose money over the course of the two to four year term, but we believe that it's an investment in the value of the underlying land, your land. We're very excited about being able to do this in partnership with you all.

Toby Levine who's the Co-chair of the Central Waterfront Advisory Group and Kate Sofis who is the Executive Director of SFMade and who was actually the one who introduced us to Speakeasy, they came to indicate their support in public comment but they had to leave.

Christian Sparks - I work for Speakeasy Ales & Lagers. I just wanted to comment for a moment about the project that Jack was describing. As a fast growing craft brewery based in the Bayview neighborhood, we at Speakeasy are excited to partner with Forest City and the Port pending approval of the aforementioned lease, in activating a portion of the Pier 70 property as an anchor tenant for Phase 0 interim use. We feel honored to participate in this great opportunity and we are developing a plan for build out that he showed you some photos of that will benefit the community and drive awareness for the Pier 70 site. We feel that the installation of a community beer garden on this site will create a beautiful and welcoming space that will be enjoyed by the surrounding neighborhoods, with the added benefit of promoting our brand as well as those of fellow craft brewers and winemakers in the City which there's a lot of going on in that area right now. It's really exciting for us. We look at the significant capital investment that we're willing to make as a special opportunity for economic development in our own backyard and one that will promote light manufacturing in the city of San Francisco and highlight the thriving culture of makers and manufacturers in the Dogpatch neighborhood. We're excited to contribute to the development of the future culture of Pier 70.

Commissioner Brandon - Thank you very much for a great presentation. This is really exciting and it's a wonderful concept of bringing people to the waterfront. I highly encourage that you do have wine crafters involved.

Commissioner Woo Ho - We're all excited about seeing some activation. The proposal has some good balance now in terms of some of what Port needs to seek out of the transaction as well as what Forest City is trying to achieve in activating the site and helping to build the brand of the main site down the road. The improvements that are going to be made, just how temporary are they and moveable? Are they truly just pop-up? I know they're not permanent improvements either. So could you tell us a little bit more about that? Is the ultimate destination on your main site? Or is there ultimate possibilities?

Jack Sylvan - We will spend probably \$5-600,000 in things like doing some site preparation, cleaning the site, making sure it's accessible, putting up a new fence, improving the sidewalk area along Illinois Street, new gates, lighting, bringing electrical service to the site, a new water outlet from Illinois Street. Most of those things are permanent, they will stay. The lease actually says that we're required to remove those that are not useful by the Port.

The stuff that we're doing sitewise, the family play area, we're not actually sure whether that is going to be a structure or programmed activities. If it's a structure, what we're after as I mentioned is establishing a mix of uses that at the point that we actually begin the first phase, we can move out probably adjacent to Building 12 that actually draws that activity out to the site.

The beer garden which is we have to meet a building code, but they really are built to be temporary in nature, two to four years. Our hope is that those improvements could actually be moved, they'll have to be modified slightly because the grade is different on this site. But that the basic decking, the bar area, the sort of back of the house storage areas, that those can all be picked up and moved, potentially in a different configuration, but that would absolutely be our goal. Our understanding from Speakeasy is that that's their goal as well.

One of the things that I forgot to mention that Brad mentioned is this is a way for us to begin to be developing tenants for the future use of the site. we would love to, we're hoping to explore whether Speakeasy could be part of, maybe it's part of Building 12. Maybe it's out at the waterfront they have a bar. The goal would be to be able to take this as a package and move it out to the first phase of the site.

Commissioner Katz - Echoing along that issue, particularly looking at the children's structure or potential facilities to youth there, could some thought be given that as this site changes and gets into a different phase that those structures could be placed elsewhere, i.e. at Crane Cove Park or something along those lines that is in the same broader footprint, but that would be

something that we would certainly appreciate at the Port looking at having those kind of amenities then migrated over.

Jack Sylvan - Sure. We are still figuring out what that family play zone is and whether it's a structure that makes sense to pick up and move or whether it could be as simple as these mobile blue blocks. As I mentioned in response to Commissioner Woo Ho's question, it is our goal to establish something that is a successful mix together that we can move. But if for whatever the reason the timing didn't work to do that or maybe if Speakeasy decided they don't actually want to operate the beer garden there and it didn't make sense to transition that as part of this larger piece, then I would say absolutely we should look to utilize that where it makes sense at Pier 70.

Commissioner Katz - As you're moving forward in your thinking to keep in the back of your mind that flexibility of other opportunities that may come up for using some of the same things.

Jack Sylvan - Absolutely.

Commissioner Katz - I'm very excited by the project. It's a part of the city that is so dynamic and exciting. Part of me wants to say it's our best kept secret in terms of how fabulous the weather is and everything else is down there. But it looks like the secret's going to be out soon. No offense to our beer garden friends but I'll concur with Commissioner Brandon, please add a little bit of wine for those of us non-beer drinkers.

I want to thank you and we're excited about seeing this area have more continuous activity rather than sort of the one-off events, which have also served to drive people to the sites. I know for all my photography friends are going to have to get down there sooner rather than later to capture those images before the place changes.

Jack Sylvan - They can come have a beer and take some photos.

I would like to just reiterate that we do appreciate that you, the Commission and staff are balancing priorities of cash flow and long-term development. We appreciate the partnership in being able to find that balance in a way that is creating the future of Pier 70 and its activity today. I also want to thank all of the staff who's been so involved in making this happen which is basically everybody that is still sitting in the room.

Commissioner Katz - I agree. Thank you to our staff because I know they've just put in tremendous effort and work all throughout this project. Also, Commissioner Adams handed me a note before he left that said, "Yes, 12B." I think that indicates his support.

Commissioner Murphy - Well, what is there left to say? What we need is another bar. I echo our fellow Commissioners. I think it's a great project and I hope Brad has worked out the best deal he can for us.

ACTION: Commissioner Brandon moved approval; Commissioner Murphy seconded the motion. All of the Commissioners were in favor. Resolution No. 15-10 was adopted.

13. NEW BUSINESS

Monique Moyer - Commissioner Katz, I believe you were asking me about ODI, the 20th Street project?

Commissioner Katz – Yes, I thought since we were getting a bit of an update on this portion, it made sense at some point.

Monique Moyer - Certainly, will do.

14. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioner Murphy seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 7:20 p.m.

REVISED SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director Amy Quesada, Commission Secretary
Phone: 415-274-0400; Fax 415-274-0412 Phone: 415-274-0406; Fax 415-274-0412

MEETING AGENDA

TUESDAY, MARCH 24, 2015
2:00 P.M. CLOSED SESSION
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – March 10, 2015
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: Pier 38, located at Delancey Street and The Embarcadero
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development; John Doll, Project Manager

*Negotiating Parties: TMG Pier 38 Partners, LLC: Michael Covarrubias

Under Negotiations: ___ Price ___ Terms of Payment ☒ Both
The Port and TMG Pier 38 Partners, LLC ("TMG") are negotiating a lease for the Pier 38 Bulkhead Building Rehabilitation Project. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including price structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please

contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

A. Executive Director's Report

- Presentation by SFPD Chief Greg Suhr on Cyber Security and other public protection issues affecting the Port
- Sunday Streets at Bayview and Dogpatch neighborhoods – April 12, 2015 from 11 a.m. to 4 p.m.
- Commendation for Larry Peoples, General Laborer, on his retirement

B. Port Commissioners' Report - Without discussion, at this time Commissioners may make announcements regarding various matters of interest to the Commissioner(s).

10. REAL ESTATE

A. Informational update regarding visitors to Fisherman's Wharf and Phase 1 of the Jefferson Street Public Realm Plan.

B. Informational update regarding visitors to Pier 39 and Pier 41.

11. MARITIME

A. Request approval of Lease No. L-15875 with BAE Systems San Francisco Ship Repair, Inc., a California corporation for approximately 14.7 acres of land improved with 19 buildings, 17.4 acres of submerged land and Port-owned Equipment, including Drydock #2, the Drydock Eureka and the Shoreside Power System (the "Shipyard") located at Piers 68 and 70 and Seawall Lot 349 near 20th and Illinois Street, for a term of 20 years with two (2) five (5) year extension options (*This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code*). (Resolution No. 15-11)

12. FINANCE & ADMINISTRATION

A. Request for authorization to award a professional services contract for municipal financial advisory services to Public Financial Management, Inc., for a term of three years with an option to extend for two years, with a not-to-exceed amount of \$140,000 annually, or \$700,000 for the life of the contract term if the two year extension option is exercised and \$420,000 if the two year extension option is not exercised. (Resolution No. 15-12)

13. NEW BUSINESS

14. ADJOURNMENT

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

APRIL 14, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the Port's Report on Contracting Activity for the First and Second Quarters of Fiscal Year 2014-15 (July 1, 2014 through December 31, 2014)
2	Pier 38	Informational	Presentation of Lease No. L-15892 between the Port of San Francisco and TMG Pier 38 Partners, a California Limited Liability company for premise located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street with an initial term of 25 years plus two (2) five (5) year extension options granted at the sole discretion of the Port.
3	Portwide	Action	Authorization to award professional services contracts for implementation of the Port's Youth Employment Program to the San Francisco Conservation Corps in an amount not to exceed \$795,000 and to the Hunters Point Family in an amount not to exceed \$265,000, each with terms of two (2) years with an option to extend for two (2) years and a total combined amount not to exceed \$1,060,000
4	Portwide	Action	Recommendations for Waterfront Land Use Plan Review Report and Public Process to Update the Waterfront Land Use Plan
5	Portwide	Action	Authorization to issue Request for Proposals for parking lot operators for all/or portions of Port surface parking lots
6	Portwide	Action	Authorization to (1) accept and expend \$1,920,450 in 2014 Infrastructure Protection Program Port Security Grant Program funds from the U.S. Department of Homeland Security for security improvements at the Port of San Francisco, and (2) advertise for competitive bids for the Portwide CCTV and Pier 50 Security Measures

APRIL 28, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation by Bevan Dufty, Director of the Mayor's Office of HOPE, on the City's homelessness issues

2	Portwide	Informational	Presentation on revisions to the Port Building Code regarding all fences requiring Port building permits
3	Pier 49	Action	Authorization to award Construction Contract No. 2772, Wharf J-1 (Pier 49) Under-Pier Sewer Replacement Project
4	Pier 38	Action	Approval of Lease No. L-15892 between the Port of San Francisco and TMG Pier 38 Partners, a California Limited Liability company for premise located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street with an initial term of 25 years plus two (2) five (5) year extension options granted at the sole discretion of the Port
5	Pier 70	Action	Approval of Exclusive Negotiating Agreement with Forest City for the Pier 70 project
6	Portwide	Action	Approval of a Memorandum of Understanding with the Water Emergency Transportation Authority (WETA) regarding development of the Downtown Ferry Terminal Expansion Project and future operation and maintenance of WETA facilities along the San Francisco Waterfront

MAY 12, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Update on the James R. Herman Cruise Terminal Activity
2	Portwide	Action	Approval of revisions to the Port Building Code regarding all fences requiring Port building permits
3	Pier 31	Action	Authorization to advertise for competitive bids for Construction Contract No. 2762, Pier 31 Building and Roof Repairs

MAY 26, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Bayview Gateway	Informational	Presentation on the Bayview Gateway art project, and a proposed MOU between the Port and San Francisco Arts Commission for the use of Port property for the Bayview Gateway Art installation

JUNE 9, 2015

	FACILITY/POLICY	ITEM	TITLE
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1	Pier 31	Action	Authorization to award Construction Contract No. 2762, Pier 31 Building and Roof Repairs
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DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Piers 30-32	Informational	Presentation on Piers 30-32 regulatory context, site considerations and Public Trust consistent improvements
2	Portwide	Informational	Presentation on quality of Port's office space portfolio & required improvements
3	Pier 29	Informational	Presentation on Request for Proposals (RFP) for a Retail Leasing Opportunity at the Pier 29 Bulkhead Building, located at Chestnut Street and The Embarcadero
4	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
5	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
6	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
7	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
8	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
9	SWL 322-I	Action	Authorize Mayor's Office of Housing and Community Development to issue an RFP for a development of SWL 322-1

COMMUNICATIONS TO PORT COMMISSION

March 6 to March 19, 2015

- From Leonid Nakhodkin, President of the United Humanitarian Mission, regarding installation of a memorial plaque in honor of Russian and American Sailors on the occasion of the 70-year anniversary of the victory against Germany
- Ellen Johnck and Marina Secchitano, Co-Chairs of the Maritime Commerce Advisory Committee, regarding support for the RFP for the Pier 96 Bulk Export Maritime Terminal
- From Sinbad's Employees, regarding Letter of Appeal/Petition

APRIL / MAY 2015
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
April 14	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building
April 28	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building
May 12	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building
May 26	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

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The Southern Waterfront Advisory Committee (SWAC) meets at the last Wednesday of the month as needed from 6:00 to 8:00 p.m. Location to be determined. Contact Kanya Dorland @ 274-0264 or kanya.dorland@sfport.com and/or David Beaupre @ 274-0539 or david.beaupre@sfport.com

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SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

MEETING AGENDA

TUESDAY, MARCH 24, 2015
2:00 P.M. CLOSED SESSION
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL

2. APPROVAL OF MINUTES – March 10, 2015

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: Pier 38, located at Delancey Street and The Embarcadero
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development; John Doll, Project Manager

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*Negotiating Parties: TMG Pier 38 Partners, LLC: Michael Covarrubias

Under Negotiations: Price Terms of Payment ☒ Both
The Port and TMG Pier 38 Partners, LLC ("TMG") are negotiating a lease for the Pier 38 Bulkhead Building Rehabilitation Project. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including price structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please

contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

A. Executive Director's Report

- Presentation by SFPD Chief Greg Suhr on Cyber Security and other public protection issues affecting the Port
- Sunday Streets at Bayview and Dogpatch neighborhoods – April 12, 2015 from 11 a.m. to 4 p.m.
- Commendation for Larry Peoples, General Laborer, on his retirement

B. Port Commissioners' Report - Without discussion, at this time Commissioners may make announcements regarding various matters of interest to the Commissioner(s).

10. REAL ESTATE

A. Informational update regarding visitors to Fisherman's Wharf, Pier 39 and Pier 41.

11. MARITIME

A. Request approval of Lease No. L-15875 with BAE Systems San Francisco Ship Repair, Inc., a California corporation for approximately 14.7 acres of land improved with 19 buildings, 17.4 acres of submerged land and Port-owned Equipment, including Drydock #2, the Drydock Eureka and the Shoreside Power System (the "Shipyard") located at Piers 68 and 70 and Seawall Lot 349 near 20th and Illinois Street, for a term of 20 years with two (2) five (5) year extension options (*This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code*). (Resolution No. 15-11)

12. FINANCE & ADMINISTRATION

A. Request for authorization to award a professional services contract for municipal financial advisory services to Public Financial Management, Inc., for a term of three years with an option to extend for two years, with a not-to-exceed amount of \$140,000 annually, or \$700,000 for the life of the contract term if the two year extension option is exercised and \$420,000 if the two year extension option is not exercised. (Resolution No. 15-12)

13. NEW BUSINESS

14. ADJOURNMENT

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

APRIL 14, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the Port's Report on Contracting Activity for the First and Second Quarters of Fiscal Year 2014-15 (July 1, 2014 through December 31, 2014)
2	Pier 38	Informational	Presentation of Lease No. L-15892 between the Port of San Francisco and TMG Pier 38 Partners, a California Limited Liability company for premise located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street with an initial term of 25 years plus two (2) five (5) year extension options granted at the sole discretion of the Port.
3	Portwide	Action	Authorization to award professional services contracts for implementation of the Port's Youth Employment Program to the San Francisco Conservation Corps in an amount not to exceed \$795,000 and to the Hunters Point Family in an amount not to exceed \$265,000, each with terms of two (2) years with an option to extend for two (2) years and a total combined amount not to exceed \$1,060,000
4	Portwide	Action	Recommendations for Waterfront Land Use Plan Review Report and Public Process to Update the Waterfront Land Use Plan
5	Portwide	Action	Authorization to issue Request for Proposals for parking lot operators for all/or portions of Port surface parking lots
6	Portwide	Action	Authorization to (1) accept and expend \$1,920,450 in 2014 Infrastructure Protection Program Port Security Grant Program funds from the U.S. Department of Homeland Security for security improvements at the Port of San Francisco, and (2) advertise for competitive bids for the Portwide CCTV and Pier 50 Security Measures

APRIL 28, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation by Bevan Dufty, Director of the Mayor's Office of HOPE, on the City's homelessness issues
2	Portwide	Informational	Presentation on revisions to the Port Building Code regarding all fences requiring Port

			building permits
3	Pier 49	Action	Authorization to award Construction Contract No. 2772, Wharf J-1 (Pier 49) Under-Pier Sewer Replacement Project
4	Pier 38	Action	Approval of Lease No. L-15892 between the Port of San Francisco and TMG Pier 38 Partners, a California Limited Liability company for premise located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street with an initial term of 25 years plus two (2) five (5) year extension options granted at the sole discretion of the Port
5	Pier 70	Action	Approval of Exclusive Negotiating Agreement with Forest City for the Pier 70 project
6	Portwide	Action	Approval of a Memorandum of Understanding with the Water Emergency Transportation Authority (WETA) regarding development of the Downtown Ferry Terminal Expansion Project and future operation and maintenance of WETA facilities along the San Francisco Waterfront

MAY 12, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Update on the James R. Herman Cruise Terminal Activity
2	Portwide	Action	Approval of revisions to the Port Building Code regarding all fences requiring Port building permits
3	Pier 31	Action	Authorization to advertise for competitive bids for Construction Contract No. 2762, Pier 31 Building and Roof Repairs

MAY 26, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Bayview Gateway	Informational	Presentation on the Bayview Gateway art project, and a proposed MOU between the Port and San Francisco Arts Commission for the use of Port property for the Bayview Gateway Art installation

JUNE 9, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. 2762, Pier 31 Building and Roof Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Piers 30-32	Informational	Presentation on Piers 30-32 regulatory context, site considerations and Public Trust consistent improvements
2	Portwide	Informational	Presentation on quality of Port's office space portfolio & required improvements
3	Pier 29	Informational	Presentation on Request for Proposals (RFP) for a Retail Leasing Opportunity at the Pier 29 Bulkhead Building, located at Chestnut Street and The Embarcadero
4	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
5	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
6	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
7	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
8	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
9	SWL 322-I	Action	Authorize Mayor's Office of Housing and Community Development to issue an RFP for a development of SWL 322-1

COMMUNICATIONS TO PORT COMMISSION**March 6 to March 19, 2015**

- From Leonid Nakhodkin, President of the United Humanitarian Mission, regarding installation of a memorial plaque in honor of Russian and American Sailors on the occasion of the 70-year anniversary of the victory against Germany
- Ellen Johnck and Marina Secchitano, Co-Chairs of the Maritime Commerce Advisory Committee, regarding support for the RFP for the Pier 96 Bulk Export Maritime Terminal
- From Sinbad's Employees, regarding Letter of Appeal/Petition

APRIL / MAY 2015
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
April 14	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building
April 28	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building
May 12	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building
May 26	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

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MEMORANDUM

March 20, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Request approval of Lease No. L-15875 with BAE Systems San Francisco Ship Repair, Inc., a California corporation for approximately 14.7 acres of land improved with 19 buildings, 17.4 acres of submerged land and Port-owned Equipment, including Drydock #2, the Drydock Eureka and the Shoreside Power System (the "Shipyard") located at Piers 68 and 70 and Seawall Lot 349 near 20th and Illinois Street, for a term of 20 years with two (2) five (5) year extension options (*This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code*). (Resolution No. 15-11)

Director's Recommendation: Approved Attached Resolution

Executive Summary

Maritime commerce is a core mission of the Port. The 2010 Pier 70 Preferred Master Plan includes ship repair as a major sanctioned land use. The ability to provide maintenance, alteration, and repair services for cruise ships, tankers, foreign and domestic bulk carriers and container ships, military vessels and local bay traffic vessels is very critical to this mission to sustain maritime commerce in San Francisco. The services are provided in the Port's Pier 70 Shipyard which is a critical facility supporting the Port's cruise terminals and Bay Area maritime traffic, and generating economic benefits for local businesses and jobs for over 250 skilled crafts persons year-round, representing ten different trade union locals.

This staff report presents an opportunity to continue providing these pivotal services pursuant to the above-noted Lease No. L-15875 that Port staff has negotiated and

THIS PRINT COVERS CALENDAR ITEM NO. 11A

whose terms and conditions Port staff is presenting to the Port Commission for consideration and approval. This lease, if approved, will allow BAE Systems San Francisco Ship Repair, Inc., a California corporation (BAE) to continue to lease the Shipyard which includes approximately 14.7 acres of land improved with 19 buildings, 17.4 acres of submerged land and Port-owned Equipment, including Drydock #2, the Drydock Eureka and the Shoreside Power System. The Shipyard is located on Piers 68 and 70 and Seawall Lot 349 near 20th and Illinois Street.

On November 18, 2014, Port staff and a BAE representative made an informational presentation to the Port Commission regarding the proposed Lease. During the presentation, Port Commissioners commented on the proposed terms/conditions and directed to continue with the negotiation of the lease and to further address sea level rise and the possible impact of the proposed developments in Pier 70 on the Shipyard and likewise, the impact of the Shipyard on the proposed new developments in Pier 70. Port staff has conducted additional due diligence and included provisions in the proposed lease in response to the Port Commissioners comments. Port staff has also responded to a recent BAE counter-proposal to some of the lease terms discussed during the November 18, 2014 staff presentation.

BAE has been cooperative with Port staff, has accepted all of the updated terms/conditions of the new lease, and has expressed desire to continue operating the Shipyard. Thus, BAE respectfully requests the Port Commission to approve the lease.

Most of the lease key terms/conditions remain essentially as presented to the Port Commission in November 2014. In fact, the staff memorandum dated November 14, 2014 has been updated for purposes of this presentation and a Resolution for adoption has been added. Where there is material change to any of the terms, the change is pointed out (and, in many cases, underlined) and explained in this Memorandum. The lease key teams/conditions include:

- (i) a 20-year term with two five-year extensions;
- (ii) a \$1.2 million annual base rent escalating at 3% annually and subject to market rent adjustment in Lease Year 11 or reset to 70% of the average of the total annual rental payments in the prior three lease years; participation in operation upside through percentage rent and participation in sale proceeds;
- (iii) no early lease termination by BAE for the first 10 lease years and only on the condition that the average of BAE's gross annual revenues for two consecutive lease years falls below \$30 million after lease year 8;
- (iv) rent credits to incentivize investments in the Port-owned equipment and buildings, and to eliminate or reduce liability;
- (v) dredging cost sharing; and
- (vi) provisions for: (1) drydock #2 possible disposition/replacement; (2) reversion - taking back some land areas from the Shipyard for redevelopment purposes; (3) Shore-side Power systems cost recovery; (4) increased insurance coverage for risk mitigation; (5) caveats about sea level rise and adjacent developments and the need to be proactive; and (6) community benefit package.

Port staff and BAE representatives presented the proposed Lease to the Central Waterfront Advisory Committee ("CWAG") on November 12, 2014 and the Maritime Commerce Advisory Committee ("MCAC") on November 20, 2014. Both committees are supportive of the ship repair activity and lease approval. Based on the comparability of the proposed rent structure, the anticipated capital investment in the Shipyard, the pivotal role of the Shipyard as critical maritime infrastructure, and BAE's status as a tenant in good standing, Port staff recommends Port Commission consideration and approval of the proposed lease. Approval thereof will ensure that the Shipyard continues to serve as one of the Port's most crucial assets in sustaining maritime commerce in San Francisco. The remainder of this staff report provides background on the Shipyard's history and importance; and updated lease terms.

Background

Ships have been built and repaired in and around Pier 70 for over 150 years. Today, ship repair remains of vital economic interest to the Port and City as this industry generates hundreds of family wage jobs and helps attract maritime commerce to San Francisco through increased cruise, cargo and military vessel activities. It is a maritime industry in which San Francisco is the leader in Northern California.

The Port owns two floating drydocks which currently are operated by BAE. *A site map of the Shipyard is provided as Exhibit A-1 to this Memorandum along with Exhibit A-2 showing a List of the 19 Buildings currently on the Site.* BAE provides maintenance, alterations and repairs to cruise ships from their Alaska and Mexico trade routes, trans-Alaska pipeline tankers, foreign and domestic bulk carriers and container ships, military vessels and local bay traffic vessels.

BAE's current lease of the Shipyard will expire on December 16, 2017. BAE is requesting a lease renewal to continue operating the Shipyard and to be able to recoup its recent and proposed capital investments in the Shipyard. Port staff reviewed the request in cognizance of the Shipyard's importance. Port staff believes that it is impractical to bid the lease opportunity due to (a) the small number of competitive commercial shipyards; (b) the disruption that would occur in the marketplace in light of new competition; (c) BAE's successful rejuvenation of the northern California ship repair market and (d) BAE and the Port's continuing agreement with Princess Cruises (Princess).

The Shipyard

The Shipyard is located on Piers 68 and 70 and SWL 349 in the northeast of Pier 70. BAE's predecessors have conducted ship repair operations in the Shipyard since 1987 and BAE took over the lease in 1994 as SF Drydock and changed its name to BAE in 2005. It is a subsidiary of BAE Systems, Inc. who is the U.S. subsidiary of BAE Systems, plc, a global defense, security and aerospace company. In this Shipyard, BAE provides maintenance, alterations and repairs to cruise ships, tankers, foreign and domestic bulk carriers and container ships, military vessels and local bay traffic vessels. These services are critical to the Port's mission to sustain maritime commerce and create jobs among others. BAE currently employs an average of 250 skilled crafts persons year-round, representing ten different trade union locals. Approximately, 65% of the crafts persons are minorities. During peak periods of repair activities, the yard

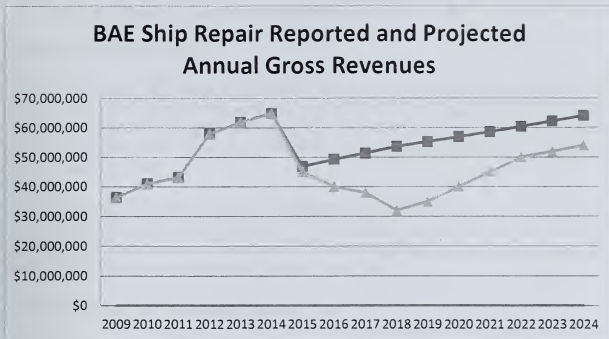
has provided jobs for over 1,000 people.

BAE currently leases the Shipyard under a 30-year term lease that will expire on December 16, 2017. It pays the Port 3.3 percent (3.3%) of its gross revenues with a guaranteed annual minimum base rent of \$1,050,000 with no escalation. Last year, BAE had gross annual revenues of over \$64.89 million and paid the Port net rent of \$1.84 million after deduction of \$300,000 in rent credits.

San Francisco's most marketable features in the ship repair business are its floating drydock (which until recently was the largest commercial floating drydock dedicated to ship repair in all the Americas), and its central-coastal geographic location, which makes it an effective location for both northbound and southbound migratory cruise and tanker fleets. The Shipyard has made a successful transition over the past twenty years from being highly dependent on defense work, to being highly competitive in the commercial ship repair markets. When the Bay Area base closures occurred in the early 1990s, Southwest Marine (the original tenant under the Lease) lost nearly 80 percent of its business. Since then, the core business of the shipyard operation has shifted to a mix of tanker, cruise, tug & barge, plus emergency cargo ship repairs, and the military and defense ships' market has rebounded to now account for over 50% of total yard revenues.

Beginning in 2014, however, BAE and this Shipyard are expected to face two challenges: (a) competition from Vigorous, a new drydock in Portland - currently deemed the country's largest floating drydock with a lifting capacity of up to 80,000 tons (Drydock #2 has a lifting capacity currently certified at 54,000 tons); and (b) the aging of the Port's Drydock #2 that may result in diminishing lifting capacity. A drydock is a special marine vessel used to lift other marine vessels as large as a cruise ship out of the water to service or make repairs to their hulls (underbellies). Because of these expected challenges, the current upward trend of gross revenues may be negatively impacted until proposed mitigation measures take effect. The chart below, updated since the November 2014 staff memorandum, shows revenue trends where the red square-line represents the most likely scenario and the light green triangular-line represents the worst case scenario.

(This chart has been updated)



In 2007, the Port, BAE and Princess, the Port's largest cruise customer, entered into agreements whereby the Port, Princess and BAE partnered to fund \$5 million worth of improvements to the Port's floating Drydock #2, including increasing its lifting capacity to 54,000 tons, the addition of six sponsons (wings added to the drydock to increase its stability and lifting capacity), increasing the facility's mooring capacity, and additional dredging to accommodate the sponsons. These modifications allowed the drydock to serve a new market of post-Panamax¹ cruise and tanker vessels where the Shipyard previously had no capability. This joint investment encouraged cruise calls from Princess, its affiliated fleets, and other cruise lines that resulted in increases in shipyard business that otherwise would not have occurred. In 2011, BAE performed emergency repair of a Carnival Cruise Line ship that had broken down near San Diego. If the Port's drydock had not been upgraded to allow for repair of post-Panamax cruise and tanker vessels, the only other choice for Carnival Cruise Line would have been to tow its cruise ship to Asia, an extremely lengthy and costly endeavor. With the arrival of Vigorous in Portland that may no longer be the case for other vessels not affiliated with Princess.

To address the two challenges noted, the proposed lease renewal includes these two measures: (1) use a professional third-party periodic evaluation of both drydocks to assess the required level of maintenance and possible capital improvements for sustaining the capacity of the drydocks; and (2) plan for the Port and BAE to collaborate on the feasibility of replacing Drydock #2 by 2020. The proposed lease includes these

¹ Post-Panamax is a term currently used to distinguish the newer, larger cruise ship or vessel that is too large to pass through the Panama Canal in Panama. Currently, a post-Panamax ship sailing between the Atlantic and Pacific oceans (or Miami and Los Angeles) will have to navigate about 8,000 miles around Cape Horn at the tip of South America – more than a month sailing. A Panamax ship, which is smaller with narrower width, on the other hand, can pass through the Panama Canal from Miami to Los Angeles, or vice versa, in 15 days. A Post-Panamax vessel can transport up to two-and-a-half times the cargo of Panamax, or a regulation-size, vessel.

two measures as indicated under Item Numbers 6(C) and 8 of the New Terms Proposed for the Lease Renewal Section of this Memorandum.

Proposed Lease Renewal

To accommodate the need to sustain and improve the Shipyard operations and competitiveness, Port staff and BAE began discussions approximately two years ago for renewing the current lease. The discussions have led to the development of the proposed Lease No. L-15875 that Port staff presented to the Port Commission on November 18, 2014.

The proposed lease includes carried-over terms from the current lease that is still binding and will not expire until 2017. The carried-over terms include the Port and BAE's beneficial terms and contractual obligations that are binding through 2017. A summary of the key carried-over terms are as follow:

Current Lease Terms being Carried Over

1. ***Unused Rent Credits:*** *(No material change; remains as reported in November 2014.)* The approximately \$1.2 million of rent credits remaining to be claimed by BAE through 2017 are included in the new lease. Under the 2007 Princess agreements, Princess agreed to provide a \$3 million loan to BAE to make required improvements to Drydock #2 so that BAE can service Princess's post-Panamax cruise ships at this Shipyard. The improvements and the related soft costs were estimated to cost \$6 million. Based on this proposal, the Port then agreed to provide up to \$3 million in rent credits to offset Princess's portion (which was a \$3 million loan from Princess to BAE) of the \$6 million improvements to Drydock #2, a Port-owned equipment. The rent credits are being taken over a 10-year period, at a maximum of \$300,000 per year, and only from percentage rent in excess of the required minimum annual base rent. BAE has earned the rent credits, but must continue to fulfill its Princess obligation to maintain Drydock #2 at the appropriate lifting capacity through 2017.
2. ***Environmental Oversight and Security Deposit:*** *(No material change; remains as reported in November 2014.)* A security deposit equal to two months of annual minimum rent is required by the new lease. Consistent with the Port's Environmental Risk Management Policy and Financial Assurance Requirements of 2007 (Port Commission Resolution No. 07-81), in addition to a security deposit based on rent, BAE must provide an additional \$500,000 deposit based on the potential liabilities associated with the unusual environmental risks presented by BAE's operations. In order to mitigate and address some of these potential risks, BAE must also comply with several specific environmental provisions that address issues such as energy efficiency, climate change, hazardous materials management, water conservation and water quality. An example includes a water conservation survey together with efficiency upgrades throughout the Shipyard. This security deposit may be provided through an irrevocable standby letter of credit. BAE will also provide a \$10,000 Environmental Oversight Deposit in cash.

3. **Termination Option:** (Changed from lease year 10 or 12 to lease year 10.)

When the current lease was amended in October 2007, the Port provided BAE the option to terminate the lease if its annual gross revenues for any two years (which do not have to be consecutive years) dipped below \$25 million, beginning January 1, 2014. This option provided BAE with a six and a quarter-year (6.25-year) no opt-out period following the 2007 amendment and granted BAE the right to terminate the lease beginning January 1, 2014 with only six-month's notice. In the course of negotiating this lease, BAE requested this option be updated and continued. Port staff presented, and BAE accepted, a counter proposal that (1) increases the threshold at which a termination option can be triggered to be the average of two consecutive years gross revenues of less than \$30 million and (2) does not make this option available until after the 6th anniversary of the lease commencement date (approximately May 2021 assuming a May 1, 2015 lease commencement date) and (3) requires BAE to provide a two-year notice of its intent to terminate. This will give the Port enough time to find a way to continue the Shipyard operations. This form of termination option is now included in the proposed lease granting BAE the right to terminate the lease no earlier than 2025 (10 years into the lease) if (i) the average gross annual revenues for lease years 7 and 8 falls below \$30 million, (ii) the fall in average gross annual revenues is verified by audited financial statements submitted to the Port no earlier than 2023, and (iii) the two years after giving the notice runs out no earlier than May 2025.

4. **Reversion - Port taking back a portion of the Premises for Pier 70 Master Plan purposes:** (No material change; remains as reported in November 2014.)

The Port is to take back certain portions of the Premises' land area at certain times or when the portions are needed for the redevelopment of Pier 70. Examples of such reversion options include the extension of 19th Street onto the premises or rehabilitating Building 111 to its highest and best use. The reversion will not affect the rent due from BAE.

5. **Equipment Charge for Shoreside Power System:** (Material change; rate increased as indicated.)

In June 2012, the Port funded the \$5 million purchase and installation costs of providing a Shoreside Power System in the Shipyard. The goal of the system is to reduce engine emissions by ships in berth consistent with the City's Clean Air Program. To recoup this Port investment, BAE is required to collect a charge of four cents (\$0.04) per kilowatt of electricity used by ships hooked to the Shoreside Power System and to pass through what is collected to the Port. After further analysis, this recovery rate at \$0.04 is too low to meet the plan of having total cost recovered within a reasonable time period of no more than 10 years. As a result, Port staff negotiated for a new rate of \$0.12 per kilowatt which BAE has accepted and included in the new lease. The Port will continue to receive the surcharges but at \$0.12 per kilowatt.

New Terms Proposed for the Lease Renewal

1. **Lease Term:** *(No material change; remains as reported in November 2014.)* The initial lease term is 20 years commencing in 2015 to allow BAE to recoup its expected investments and expenses towards fulfilling its obligations under the new lease. Tenant will have two five-year extension options for a maximum term expiring in 2045 subject to (A) market rent adjustment or 70% of the average of the total annual rental payments in the prior three lease years and (B) an acceptable Shipyard flood mitigation plan if the base flood elevation becomes higher above a threshold determined by the Port to constitute flood risk that needs to be mitigated if feasible. A flood risk may be created due to worsening sea level rise.
2. **Early Termination of the Lease:** *(No material change; no opted-out until after lease year 10.)* After the 6th anniversary date of the lease commencement date, BAE will have the option to give a two-year notice to terminate the lease if the average of its gross annual revenues during any two consecutive lease years, beginning with lease year 7, falls below \$30 million. This is subject to Port's verification of BAE's audited financial statements to confirm the drop in revenues. Port staff will continue to monitor the ship repair market and BAE marketing efforts to ensure that this Shipyard's operations continue to be successful. This effort will start with the requirement that BAE provide the Port with an update to its master plan, which will include BAE's marketing plan based on anticipated market and economic conditions.
3. **Base Rent:** *(No material change; remains as reported in November 2014.)* \$1.2 million in each lease year beginning 2015 and escalating annually at 3%. **Tables 1 and 2** below allow a comparison of the projected gross revenues, base rents, with and without escalations, percentage rent, and net annual rent to the Port under the current lease and the proposed lease. While the net annual rents are projected to be the same under the current lease and proposed lease, the annual guaranteed base rent under **Table 2** is increased and now escalated annually; thus, it better protects the Port against reduction in percentage rent as a result of a dip in gross revenues below a threshold that produces no percentage rent.

Table 1 - Reported and Projected Revenues Under the Current Lease

	1 2015	2 2016	3 2017
I Rent Revenue			
a. Annual Minimum Base Rent:	\$1,050,000	\$1,050,000	\$1,050,000
b. Base Rent Escalation:	0.00%	0.00%	0.00%
c. Annual Minimum Base Rent with Escalation:	\$1,050,000	\$1,050,000	\$1,050,000
d. Projected BAE Annual Gross Revenue:	\$46,900,000	\$49,300,000	\$51,400,000
e. Annual Percentage Rent at 3.3% of Gross Annual Revenue:	\$1,547,700	\$1,626,900	\$1,696,200
f. Total Annual Rent to the Port:	\$1,547,700	\$1,626,900	\$1,696,200
g. Less Rent Credit	(\$200,000)	\$200,000	(\$200,000)
H. Total Net Annual Rent to the Port:	\$1,247,700	\$1,326,900	\$1,396,200

Table 2 - Reported and Projected Revenues Under the Current Lease

	1	2	3	4	5
	2015	2016	2017	2018	2019
I Rent Revenue					
a. Annual Minimum Base Rent:	\$1,200,000	\$1,200,000	\$1,236,000	\$1,273,080	\$1,311,272
b. Base Rent Escalation:	0.00%	3.00%	3.00%	3.00%	3.00%
c. Annual Minimum Base Rent with Escalation::	\$1,200,000	\$1,236,000	\$1,273,080	\$1,311,272	\$1,350,611
d. Projected BAE Annual Gross Revenue:	\$46,900,000	\$49,300,000	\$51,400,000	\$53,700,000	\$55,300,000
e. Annual Percentage Rent at 3.3% of Gross Annual Revenue:	\$1,547,700	\$1,626,900	\$1,696,200	\$1,772,100	\$1,824,900
f. Total Annual Rent to the Port:	\$1,547,700	\$1,626,900	\$1,696,200	\$1,772,100	\$1,824,900
g. Less Rent Credit:	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)
II. Total Net Annual Rent to the Port:	\$1,247,700	\$1,326,900	\$1,396,200	\$1,472,100	\$1,524,900

- Under the proposed rent structure, the Port is guaranteed a higher annual minimum base rent starting with a 14% increase in 2015.
- There is a three percent (3%) escalation of the minimum base rent every year. (No escalation under the current lease.)
- If annual gross revenues drop below \$36 million in a given year, the Port still is guaranteed the minimum base rent as scheduled.

- Base Rent Reset:** *(No material change; remains as reported in November 2014)* After 10 years, base rent will be the higher of (A) the then current rent as escalated or (B) 70% of the average of the total annual rental payments in the prior three (3) lease years (excluding rent credits).
- Percentage Rent:** *(No material change; remains as reported in November 2014)* This remains unchanged at 3.3% as set in the current Lease. Percentage rent, however, now will be calculated against the total annual gross revenues, including sale proceeds, so that the Port can participate in the upside of the sale or transfer of BAE's interest under the lease or the Shipyard.
- Rent Credit:** *(Material change; preconditions imposed and unused rent credits under certain conditions can earn interest for BAE.)* BAE will have a right to rent credits equal to 25% - 50% of its investment in Port's properties. Such credits will be capped at \$300,000 per year and can be claimed over 12 to 20 years subject to a maximum of \$4.2 million under the new lease. This calculation equates to \$1.2 million of credits currently existing (see 6(A) below) under the current lease and carried forward plus an additional \$3 million for proposed new Port's obligations (see 6(B) and 6(C) below) under the proposed lease:
 - \$1.2 million of unexpired rent credits associated with Princess required improvements to the Shipyard focusing on Drydock #2, its lifting capacity and sponsons;

B. Up to a maximum of \$1 million of new rent credits for the following items, subject to actual completion and documentation:

- (1) Port is planning to change the location of the 12 megawatts power source for the Shipyard from its current location in Building 102 (not within the Premises) to a vault in the vicinity of Georgia and 19th Streets at some point during the Term to accommodate the rehabilitation of Building 102 by Orton Development Inc. (ODI). Port is paying the cost of this relocation and BAE will be limited to a maximum of 5.5 megawatts for the Shoreside Power System and one-megawatt for the rest of Shipyard's operations. Port will be working with BAE to identify, plan and share 50% of BAE's costs of reconnecting to the new power source.
- (2) Port will require BAE to remove and dispose of 9 PCB-transformers, a PCB oil-containing breaker, and a switch and a capacitor rack all located in the Shipyard within three years into the new lease. Since the Port owned these equipment which BAE has been using, the cost of removing and disposing the equipment will be split 50%/50% between BAE and the Port with the Port paying its share through rent credits.
- (3) Port will provide rent credits in the amount of fifty percent (50%) of the cost to demolish and dispose of Buildings 38 and 119 that cannot be rehabilitated because of their poor conditions. Since the Port owned these buildings and BAE has been using them, the cost of demolishing and disposing of them using green demolition techniques will be shared 50%/50% with BAE. The Port will fund its share through rent credits.

C. Up to a maximum of \$2 million in total rent credits for a minimum of \$8 million in capital improvements to Drydock #2. Since the Port owns the drydock and BAE has been using it, the cost of making additional improvements to it will be shared 25%/75% Port/BAE. The Port will fund its share through rent credits in an amount not to exceed \$2 million.

The lease requires BAE to engage an independent licensed engineer (or equivalent professional) to inspect and evaluate each drydock every five (5) years or at time intervals consistent with BAE's required certifications for the drydocks, and provide a conditions survey report including, at a minimum, an evaluation of the current physical condition of each drydock. If BAE performs capital improvements, the \$2 million rent credit will be available to BAE if (i) BAE first obtains Port's prior consent on the capital investment in Drydock #2; (ii) the investment will enable Drydock #2 to continue service of post-Panamax vessels and/or certain preferred marine vessels, which investment will result in at least one of these: an increase in rent to the Port; prolonged life of Drydock #2; and/or provide other proportional benefits to the Port; (iii) does not involve routine maintenance that is BAE's responsibility under the

lease; (iv) BAE provides written proof of work completed; and (v) a licensed engineer (or equivalent professional) has certified the completion of the work.

If the above expected capital investments exceed \$8 million during the Term, Port and BAE will meet and discuss possible cost-sharing on a good faith basis. If Port staff determine that such additional investment is necessary, Port staff will seek future approval from the Port Commission.

BAE is to receive the above rent credits against percentage rent payments in a maximum amount of \$300,000/year for a maximum of twenty (20) years. Any amounts not credited in a given year are subject to carry over to the next year if percentage rent is less than \$300,000 in the current year. These rent credits can only be taken after the Princess rent credits are exhausted which is expected by 2019. Any rent credit that cannot be applied in a given lease year because (i) the maximum annual rent credit of \$300,000 per year will be exceeded or (ii) the amount of the rent credit owed for that lease year exceeds the amount of percentage rent due for that lease year will be allowed to earn 3.5% simple interest annually until the excess rent credit is applied subject to the maximum annual amount of \$300,000. After year 20, any unapplied rent credits will expire.

7. **Central Basin Dredging Cost Sharing:** *(No material change; remains as reported in November 2014)* The Port and BAE anticipate that the U.S. Army Corps of Engineers ("Army Corps") will dredge the Central Basin for commercial navigation at a projected cost of \$10 million. The Army Corps will do this at the time it deems appropriate and only after it has received the required grant and entered into a cost-sharing agreement with the Port. It is anticipated that the Army Corps will pay 75% of the cost of the initial dredge (up to \$7.5 million) and Port will be responsible for funding the balance of twenty-five percent (25%) or \$2.5 million. BAE will pay 50% of the Port's payment obligation. Prior to any dredging undertaken by the Army Corps, BAE will be required to establish a letter of credit, in a form acceptable to the Port, or provide cash security equal to \$1.25 million (50% of \$2.5 million). This deposit will be used to reimburse the Port for one half of its actual first dredge costs. Any residual left on the letter of credit after the Port has been reimbursed for one half of its costs and after the first dredging event is complete, will belong to BAE. After the initial dredge, the Port and BAE anticipate that the Army Corps will periodically dredge the Central Basin to maintain the same depths as the initial dredge at no cost to the Port, on a schedule determined by the Army Corps. The lease includes provisions acknowledging that that Port has no obligation to dredge any area within or outside of BAE's leasehold, or to seek or provide funding for such activities; and that the Port is not responsible for any of the Army Corps' actions or failure to act.
8. **Drydock Replacement:** *(No material change; remains as reported in November 2014)* Given the expected wear and tear of any equipment coupled with its aging, Port has asked BAE for collaboration on determining the feasibility of replacing Drydock #2, and perhaps, Drydock Eureka, within the

first two years of the proposed new lease. At least one of the replacements is expected to be capable of servicing post-Panamax vessels and other preferred marine vessels. Port and BAE will work together to develop a plan that includes the possible financing for the replacement. Any such plan will be subject to mutual agreement of the Port and BAE, environmental review, and Port Commission consideration and approval.

9. **Recovery of City and Port cost of investment in Shoreside Power System:** *(Material change; rate increased as indicated.)* The Port will include a provision in the proposed lease that will enable the increased utilization of the Shoreside Power System above the current utilization level. Currently, not all vessels that berth at the Shipyard can connect to the system because of the different power connection gears the vessels are using. As indicated earlier in this Memorandum, Port staff has negotiated an increase of the current \$0.04 charge per kilowatt-hour to \$0.12 per kilowatt-hour to increase the recovery rate of Shoreside Power System cost.
10. **No Guarantee of Utilities Available and a Cap on Electrical Capacity:** *(New term introduced after November 2014.)* The proposed lease includes a provision stating that the Port at the present time cannot guarantee the availability of all utilities BAE may need to operate the Shipyard during the lease term, and that given new commercial and residential developments in Pier 70 areas abutting the Shipyard that the current available utilities will need to be shared until their capacities are increased. As such, the current available electrical power capacity of 12 megawatts that BAE has tapped into will need to be shared with ODI to power the rehabilitation and sequential activation of each Historic Core building. Thus, BAE will be limited to its historic peak use of five and one-half (5.5) megawatts for the Shoreside Power System and one (1) megawatt for the rest of its operations for a total of 6.5 megawatts, and the remaining 5.5 megawatts will be reserved for ODI. If BAE needs to increase its electric usage above the 6.5 megawatts in the future, Port will assist in coordinating between BAE, other Pier 70 tenants and SFPUC for additional electrical capacity. If BAE's planned electric usage increase will benefit the Port, the Port will meet and discuss possible cost-sharing for new electrical infrastructure with BAE on a good faith basis. A decision for the Port to participate financially will be subject to review and approval of the Port Commission. As Pier 70 is built out, additional electrical power will be provided on a cost sharing basis.
11. **Building Baseline Conditions and Required Repairs and Maintenance:** *(New term introduced after November 2014.)* Port staff conducted a survey of all Port-owned buildings and cranes in the Shipyard to determine their current condition to reset maintenance and repair requirements. As such, a List of Buildings and equipment along with required repairs and a time schedule for completing repairs is included in the proposed lease. Some of the repairs are to be completed immediately and some within a two-year period.

12. **Reversion Areas:** *(No material change; remains as reported in November 2014)* The land areas identified as areas A, B, C, D, E, and F along with building(s) on them as shown in the Exhibit B, Reversion Areas Map, will be taken back from BAE for the redevelopment anticipated under the Pier 70 Preferred Master Plan. BAE will continue to have the right to possess and use the areas until the Port issues a required notice for the area to be surrendered to the Port. This will not impact the rent payment to the Port. If the areas are not surrendered on time, BAE will have to pay for the delay at an amount based on the square footage of the area multiplied by the then current Port Commission approved rental rate for a comparable property.
13. **Right of First Offer:** *(New term introduced after November 2014.)* BAE has expressed interest in holding onto Building 111 that currently is subject to reversion to the Port. It has also expressed an interest in taking possession of Building 6 that abuts its Premises, if the need arises. There are provisions in the lease that indicate the Port will consider giving BAE a right-of-first-offer subject to certain conditions, including BAE meeting the Port's redevelopment plans for the properties or the Port working with a third party that may include a space in the building for BAE.
14. **Community Benefit Package:** *(No material change; remains as reported in November 2014)* In compliance with the Port's Southern Waterfront Community Benefits and Beautification Policy, BAE will be required to: (a) improve and beautify the area of the Shipyard facing the new Crane Cove Park and other perimeter areas; (b) work with City Build or similar local workforce development programs to increase local hires; (c) increase utilization of the Shoreside Power System to reduce carbon footprint; (d) share the cost of PCB-transformer removal and disposal; utilize green demolition techniques to maximize recycling in all building and facility demolitions; (f) develop and implement a water conservation plan and program; and (g) utilize local businesses and LBEs to the maximum extent feasible. A map showing the Beautification Improvement concept is attached as Exhibit D.
15. **Expectations regarding proposed developments on Pier 70:** *(Slightly revised in response to comments of the Port Commission at its meeting of November 2014)* Port staff is proposing good neighbor coordination with BAE and other Pier 70 tenants to make each other aware of the nature of BAE's ship repair operations that do generate noise and lights which can be heard or seen outside of the Shipyard. This coordination also will make BAE aware of the anticipated commercial and residential developments planned for Pier 70, and more specifically to the immediate south of the Shipyard that will bring visitors, residents and customers to Pier 70. In order to address potential issues that might arise, the Port will require BAE and the other Pier 70 tenants to cooperate with each other on developing good neighbor strategies to minimize the potential impacts of noise, sound, and light from BAE's operations during certain periods of the day and week. Such strategies might include BAE's advance community notice of when higher

than usual noise, sound, or light are anticipated and holding periodic coordination meeting. Likewise, other Pier 70 tenants will explore mitigation measures to lessen potential impacts on BAE's operations through site and building design, orientation and soundproofing.

16. **Climate Change and Sea Level Rise:** *(Slightly revised in response to comments of the Port Commission at its meeting of November 2014.)* The proposed lease includes provisions and disclosures alerting BAE to the issues of climate change and sea level rise and their related cost impacts; and for BAE to be prepared to adapt its operations and its planned improvements for the Shipyard accordingly. Also, BAE is required to update its existing master plan for the Shipyard and in doing so, to consider including appropriate adaption measures. Furthermore, BAE's option to extend the lease beyond the 20-year term is subject to the Port Chief Harbor Engineer determining if there is a likelihood of flooding due to sea level rise, and if flood risk exists, then a flood mitigation plan must be submitted by BAE to the Port and the plan is subject to all required approvals.
17. **Insurance and other City's Requirements:** *(Material change; cover limit increased as indicated.)* BAE is required to comply with all insurance requirements recommended by the City's Risk Manager based on review of the proposed lease. In addition to insurance coverage required under the current lease, the new agreement will require BAE to maintain primary property insurance for Port's Equipment and other properties being insured as well as an umbrella/excess insurance policy with limits of no less than \$20,000,000 up from the \$5 million indicated during the November 2014 Port Commission meeting. Standard terms from the Port's form lease regarding liability and indemnity, hazardous materials, repair and maintenance, compliance with laws, and City and Port requirements are included in the proposed lease.

Staff Analysis

1. The rent structure is on par or higher than comparable shipyard leases in SF Bay Area and Southern California, particularly, San Diego, where BAE operates another shipyard. Port staff ordered a shipyard rent survey and reviewed the pertinent comparables and their related rental rates. The comparables indicated that base rent and percentage rent proposed for the new lease are competitive and at market rate given the economic profile for the Shipyard.
2. The proposed lease renewal will allow BAE to provide needed capital investment in the Shipyard, particularly, Drydock #2. The proposed 20-year term will give BAE enough time to recoup its investments in the Shipyard given that the current lease will expire in 2017.
3. Retaining the Shipyard operations is of vital economic interest to the Port and renewing the lease will spur required investment in the Shipyard which is a

critical facility supporting the Port's cruise terminals and Bay Area maritime traffic. It also will:

- a. Retain/maintain an active shipyard. It will continue support for the Port cruise terminals; provide repair/maintenance service for post-Panamax ships and other vessels, and preserve ship repair jobs.
 - b. Preserve/increase Port revenue: (A) It will increase annual base rent through (i) an increase over the current base rent and (ii) annual escalation; (B) increase upside participation through (i) percentage rent, (ii) subtenanting charges, (iii) sale proceeds participation; and (iv) increase of the surcharge rate and utilization of the Port's Shoreside Power System.
 - c. Spur required investment in Port-owned equipment and buildings: It will institute repair thresholds and time limits; maintain commercially competitive lifting capacities of the drydocks; induce collaboration on drydock replacement and disposal funding.
 - d. Rehabilitate historic resources: It will provide for the repair/maintenance of the existing buildings to meet Interior Secretary's Standards.
 - e. Protect and provide jobs: it will continue to sustain the 250 workers employed year round at the shipyard with peak employment of 800 to 1,000 jobs.
 - f. Help sustain Bay Area maritime businesses: It will reinforce the Port's commitment to maritime uses such as cruise and cargo which are a part of the Port's top mission. Uses like an active ship repair facility are essential to this mission. The Port wants to assure its partners like Princess that we have the infrastructure to support cruise ships and other vessels.
4. The proposed lease includes ample provisions addressing potential exposure of the Port to environmental risks. There are also lease provisions to minimize risks to the Port from future developments that might impact the Shipyard and, vice versa, the Shipyard impacting other Pier 70 tenants.

Tenant in Good Standing

Because BAE assumed the current lease in 1994, its track record as a Port tenant spans approximately 20 years during which it has been a tenant in good standing. It has successfully increased this Shipyard's productivity that resulted in increased maritime commerce activities in San Francisco, increased high-wage jobs, increased gross revenues, and increased Port rental revenues. It continues to abide by all terms and conditions of its lease; pay its rent on time, and diversify the Shipyard operations; all leading to positive economic impact on the Port and the City.

Port staff is aware of discrimination complaints that have been filed in 2009/2010 against BAE with the San Francisco Superior Court and the U.S. Equal Employment Opportunity Commission (EEOC), a federal law enforcement agency that enforces laws against workplace discrimination. Port staff takes seriously any discrimination complaint against any Port tenant. In response to the Port's inquiries regarding the allegations and BAE's covenant to comply with City anti-discrimination policies, Port staff has received from BAE the attached BAE's *March 18, 2015* letter, *Exhibit C1 to this Memorandum*, and Exhibit C2, a Summary of BAE's Non-discrimination Policy. In the interim, Port staff will continue to monitor the status of the yet-to-be resolved complaints.

Community Outreach

Port staff and BAE representatives presented the proposed Lease renewal to the CWAG on November 12, 2014 and the MCAC on November 20, 2014. Both committees are supportive of the ship repair use and support lease approval. Port staff will encourage BAE to undertake periodic outreach towards realizing the objectives of its community benefit package which includes providing more opportunities for LBE participation in its operations and hiring opportunities for residents.

Timeline/Next Steps

Port Commission approval of the proposed lease will allow BAE to continue addressing the challenges facing the Shipyard and develop effective strategies for sustaining or surpassing the current Shipyard's operational performance. This will also allow BAE to compete for, and lock in, contracts spanning beyond 2017, the year the current lease will expire.

California Environmental Quality Act

(New Section) On March 2, 2015, the San Francisco Planning Department issued a Categorical Exemption for the proposed lease consistent with the California Environmental Quality Act (CEQA). The Categorical Exemption can be reviewed through the following link:
<https://aca.accela.com/ccsf/Cap/CapDetail.aspx?Module=Planning&TabName=Planning&capID1=14HIS&capID2=00000&capID3=01U1D&agencyCode=CCSF>.

If the Port Commission approves the proposed Lease through the attached Resolution based on these categorical exemptions, its action constitutes the "Approval Action" (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13). As such, the CEQA decision prepared in support of this Approval Action will be subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action².

² For information on filing an appeal under Chapter 31, see the Port Commission agenda under NOTICES and contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184.

Recommendation

Port staff recommends that the Port Commission approve the attached Resolution approving the proposed Lease No. L-15875 with BAE Systems San Francisco Ship Repair, Inc., a California corporation for Shipyard on such terms and conditions as described in Memorandum.

Prepared by: Gerry Roybal, Maritime Marketing Manager
Ricky Tijani, Project Manager, Planning & Development

For: Peter Dailey, Deputy Director, Maritime
Byron Rhett, Deputy Director, Planning and Development

Attachments: Exhibit A-1, Site Map
Exhibit A-2, A List of the 19 Buildings currently on the Site
Exhibit B, Reversion Areas Map
Exhibit C1, BAE's March 18, 2015 Letter
Exhibit C2, A Summary of BAE's Non-discrimination Policy
Exhibit D, A Map of the proposed Beautification Improvements Concept

**PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO
RESOLUTION NO. 15-11**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, BAE Systems San Francisco Ship Repair, Inc., a California corporation (BAE), currently leases approximately 14.4 acres of land improved with 19 buildings, 17.4 acres of submerged land and Port-owned Equipment, including Drydock #2, the Drydock Eureka and the Shoreside Power System (the "Shipyard") located at Piers 68 and 70 and Seawall Lot 349 near 20th and Illinois Street where it, through predecessor companies, has conducted ship repair operations since 1987 pursuant to Port Lease L-11320 which will expire on December 16, 2017; and
- WHEREAS, BAE currently employs about 250 skilled laborers year-round representing ten different trade unions; and
- WHEREAS, BAE is requesting a lease renewal to continue operating the Shipyard and to be able to recoup its recent and expected capital investments in the Shipyard; and
- WHEREAS, On November 18, 2014, Port staff and a BAE representative made an informational presentation to the Port Commission regarding the proposed lease renewal, in the proposed terms and conditions to be negotiated into the lease and during the presentation, Port Commissioners commented on the proposed terms/conditions and directed Port staff to address sea level rise and the possible impact of the proposed developments in Pier 70 on the Shipyard and likewise, the impact of Shipyard on the proposed new developments in Pier 70; and
- WHEREAS, Port staff has conducted additional due diligence and included provisions in the proposed lease in response to the Port Commissioners' comments and Port staff and BAE have finalized negotiation of the lease terms discussed during the November 18, 2014 staff presentation; and
- WHEREAS, Port staff has negotiated Lease L-15875 for a 20-year term with two five-year extensions, with BAE for the Shipyard at a rental rate of a \$1.2 million for the first Lease Year, escalated at 3% annual rate for the subsequent Lease Years, and subject to market rent adjustment in Lease Year 11 or reset to 70% of the average of the total annual rental payments in the prior three Lease Years; and
- WHEREAS, The lease term extension options are subject to market rent adjustment or 70% of the average of the total annual rental payments in the prior

three lease years, and in response to sea level rise, an acceptable Shipyard flood mitigation plan if the Shipyard's base flood elevation becomes higher above a threshold determined by the Port to constitute flood risk that needs to be mitigated if feasible; and

- WHEREAS, Other terms and conditions of the proposed lease are as indicated in the Staff Memorandum accompanying the resolution; and
- WHEREAS, On March 2, 2015, the San Francisco Planning Department issued a Categorical Exemptions for the proposed lease consistent with the California Environmental Quality Act; and
- WHEREAS, For foregoing paragraphs and the reasons and benefits discussed in the accompanying staff Memorandum, Port staff recommends that the Port Commission approve the proposed business terms and conditions for the proposed lease and authorize the Executive Director, or her designee, to enter into to the lease on the terms and conditions as more fully outlined in the Staff Memorandum accompanying this Resolution; and
- WHEREAS, Based on staff's recommendation and its own review, the Port Commission finds that the terms set forth in the accompanying Staff Memorandum for the proposed Lease L-15875 is in the best interest of the Port; now, therefore, be it
- RESOLVED, That the San Francisco Port Commission hereby authorizes the Executive Director, or her designee, to enter into Lease L-15875 with BAE Systems San Francisco Ship Repair, Inc. (BAE) to continue to manage and operate the Shipyard on terms and conditions described in the Staff Memorandum accompanying this Resolution and the Lease in a form approved by the City Attorney; and be it further
- RESOLVED, that the Port Commission authorizes the Executive Director or her designee to take all actions delegated to the Executive Director in the Lease and to enter into any additions, amendments or other modifications to the Lease that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the Lease contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of the Lease, and any such amendments thereto.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 24, 2015.

Secretary



BAE SYSTEMS

San Francisco Ship Repair

TOTAL CURRENT PREMISES (approximately) -



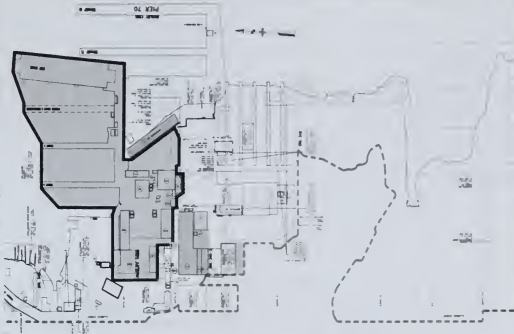
= LAND & PIERS: 639,354.24 sq.ft / 14.7 ACRES

SUBMERGED LANDS: 759,575.95 sq.ft / 17.4 ACRES

GENERAL AREA LOCATION MAP



TO AT&T PARK / MCCOVEY COVE



PREPARED BY: EDC, AMN

DRAWN BY: ECC. AMN	DATE	December 30 2014
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CONTRACT NO.	SCALE	NONE
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EXHIBIT A-1

Site Map

SHEET NO 1

133MS 1 30

[illegible]

SAN FRANCISCO BAY

CENTRAL BASIN


PIER 68

LEASE PREMISES
AREA
DETAIL MAP

= Buildings

= Approximate Location of Sewer

TENANT
BAE SYSTEMS
SAN FRANCISCO SHIP REPAIR
SWL 349 & PIER 68



SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

LEASE NO.
L-15875
STAFF REPORT

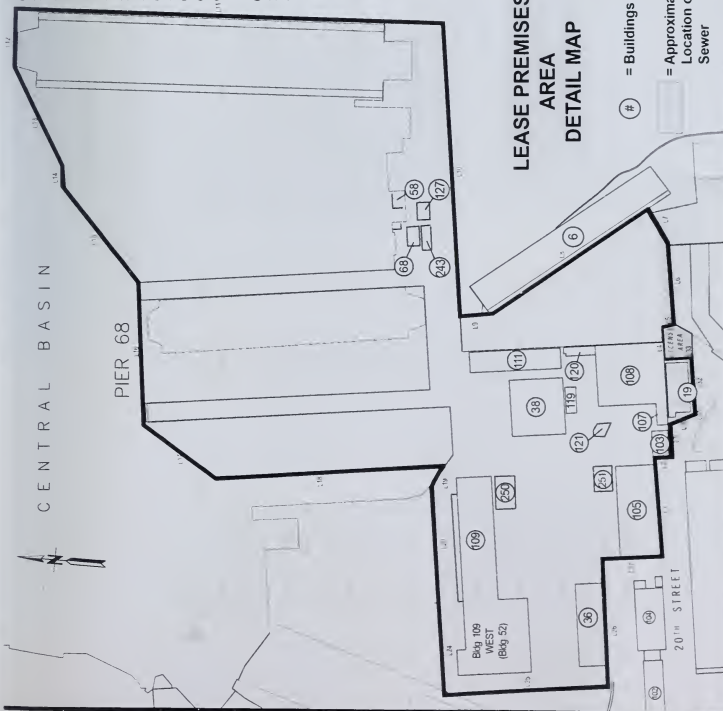


EXHIBIT A-2

LIST OF THE 19 BUILDINGS CURRENTLY ON THE SITE

	Footprint Sq. Ft.	Bldg.	Erected	Floors	Functionality	Actual Sq. Footage
1	6,348	Bldg. 19	1941	1.0	Blast grit remediation	6,152
2	12,150	Bldg. 32/36	1941	1.0	Shipping & Rec. parts warehouse	12,050
3	17,112	Bldg. 38	1915/1941	2.0	Riggers; Electric Shop, Grinders; Electric & spare parts storage	30,546
4	1,047	Bldg. 58	1943	1.0	Power Substation No. 4	939
5	1,550	Bldg. 68	1960(s)	1.0	Power Substation No. 7	560
6	2,391	Bldg. 103	1937	1.0	Steam Powerhouse #2	2,258
7	20,739	Bldg. 105	1937	1.0	Pipe benders/welding/brake/shears	20,739
8	4,092	Bldg. 107	1937	1.0	Pipe Storage	3,461
9	23,095	Bldg. 108	1911/1913	2.0	Wood saws/mills/lathes	40,846
10	43,839	Bldg. 109A & B	1912	2.0	1st Floor: Tool Room; Sheet Metal; Paint Booth 2nd Floor: Lagging & Insulation; QA (Plate Shop No.1)	52,466
11	29,653	Bldg. 109C (Bldg. 52)	1936	2.0	Non-UV storage (Template storage)	29,653
12	10,600	Bldg. 111	1917	3.5	Records storage; some temp office	46,272
13	1,440	Bldg. 119	1936	1.0	Washroom & Locker room	1,356
14	990	Bldg. 120	1936-1942	1.0	Oxy. & Acetelene bottles + hose storage	990
15	584	Bldg. 121	1941	1.0	Pipe Office (Time Keeper's Office)	584
16	1,056	Bldg. 127	1944	2.0	Production Office (No.1 Drydock Building)	2,211
17	1,260	Bldg. 243	2003	1.0	Break Area / Washrooms	1,260
18	3,200	Bldg. 250	1999	1.0	Receiving Warehouse	3,200
19	2,320	Bldg. 251	2005	1.0	Blast Booth	2,320

183,466 Total Square Feet

TOTAL: 257,843 sq.ft.

BAE SYSTEMS

San Francisco Ship Repair

SAN FRANCISCO BAY

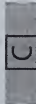
= Reversion Area



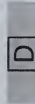
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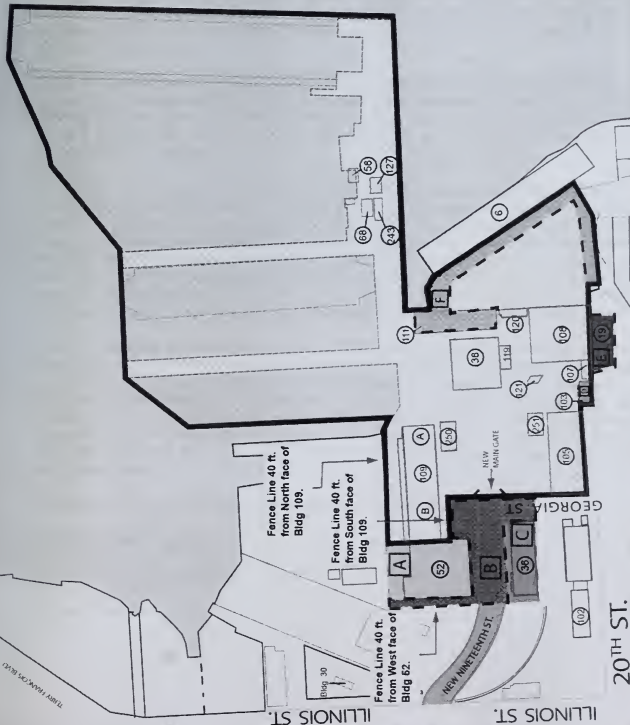
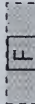
= Reversion Area



= Reversion Area



= Reversion Area



PREPARED BY: ECC, AMN CHECKED BY: G. ROYBAL

DRAWN BY: ECC, AMN DATE: December 30, 2014

CONTRACT NO. SCALE: NONE

EXHIBIT B
REVERSION AREAS
SHEET NO. 1
OF 1 SHEETS

TENANT

BAE SYSTEMS
SAN FRANCISCO SHIP REPAIR
SWL 349 & PIER 68

SAN FRANCISCO PORT COMMISSION

PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING



LEASE NO.

L-15875

STAFF REPORT

BAE Systems
San Francisco Ship Repair
P.O. Box 7644
San Francisco, CA 94120-7644
Ph 415-861-7447
Fax 415 558-8466

BAE SYSTEMS

Mr. Peter Dailey
Deputy Director, Maritime
Port of San Francisco
Pier 1
San Francisco, California 94111

March 18, 2015
Serial# 012-15

Re: BAE Systems San Francisco Ship Repair Inc.
Compliance with Covenant Not to Discriminate

Dear Mr. Dailey:

Pursuant to the terms of the Lease agreement between BAE Systems San Francisco Ship Repair Inc. ("BAE Systems") and the Port of San Francisco ("POSF") dated December 2, 1987, as amended, BAE Systems confirms that it is compliant with its obligations arising from the City's Non-Discrimination laws.

As of the date of this letter, BAE Systems has not been formally notified of any administrative claims that have been filed in 2014 or 2015 with any governmental agency (e.g. EEOC, DFEH) alleging discriminatory practices or behavior. BAE Systems has one administrative claim pending that was filed with the EEOC in May 2013 and is still pending with the EEOC, no final decision has been issued.

In 2009 and 2010, several BAE Systems employees filed complaints in San Francisco Superior Court alleging various causes of action, including discrimination allegations, against BAE Systems. BAE Systems has denied these allegations. It is important to recognize that none of these complaints have resulted in a final decision by the Court that BAE Systems has discriminated under the law. One of these cases went to trial, but the Court ultimately ordered a new trial. The case was subsequently resolved before the re-trial. Some of these complaints were summarily dismissed by the Court, one voluntarily withdrew the complaint, and the others have been resolved, including the case that had been scheduled for trial in early 2015.

BAE Systems has an extremely diverse workforce which is largely staffed by numerous local union halls. The company promulgates strict policies prohibiting discrimination, harassment and retaliation and provides periodic training to employees on these matters. We have an open door policy that encourages employees to approach anyone in management with their concerns. Our union represented employees may also raise any concerns they have with their respective union representatives. Further, BAE Systems prohibits graffiti of any kind and has protocols in place to ensure that any graffiti is removed immediately whenever it is discovered on the premises.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

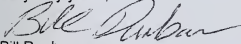

Bill Dunbar
General Manager

Exhibit C2

A Summary of BAE's Non-discrimination Policy

BAE Systems, Inc. ("BAE Inc"), the parent company of BAE Systems San Francisco Ship Repair, Inc. ("BAE"), maintains a management policy on (A) Equal Employment Opportunity and Affirmative Action, and (B) Prohibition Against Harassment and Sexual Harassment. A summary of the policy is as follows:

A. Equal Employment Opportunity and Affirmative Action

BAE Inc. promulgated a policy entitled **Equal Employment Opportunity and Affirmative Action**, referenced as **Number 101, Revision Eight**, and effective as of **August 11, 2014**. It states that it is its policy that all of its businesses, including BAE, be equal opportunity employers and comply with all applicable federal, state and local anti-discrimination laws, orders, directives and regulations. AS U.S. Government federal contractors, it and BAE are required to maintain Affirmative Action Programs ("AAP") in compliance with Executive Order 11246.

Details about BAE Inc. and BAE's Equal Employment Opportunity and Affirmative Action can be found on its websites at www.baesystems.com/jobs

B. Prohibition Against Harassment and Sexual Harassment.

BAE Inc. promulgated a policy entitled **Prohibition Against Harassment and Sexual Harassment**, referenced as **Number 102, Revision Five**, and effective as of **September 1, 2011**. It states that it is its policy that all of its businesses, including BAE, create a respectful, courteous work environment that is free from physical, psychological, visual, and verbal harassment. It listed prohibited conducts and a process for the policy implementation.

Details about BAE Inc. and BAE's Prohibition Against Harassment and Sexual Harassment can be found on its Corporate Policy websites at www.baesystems.com.

A Map of the proposed Beautification Improvements Concept



HISTORIC FENCE AT CRANE COVE
PARK (REFERENCE IMAGE)



CORTEN PLANTERS



KEEL BLOCKS

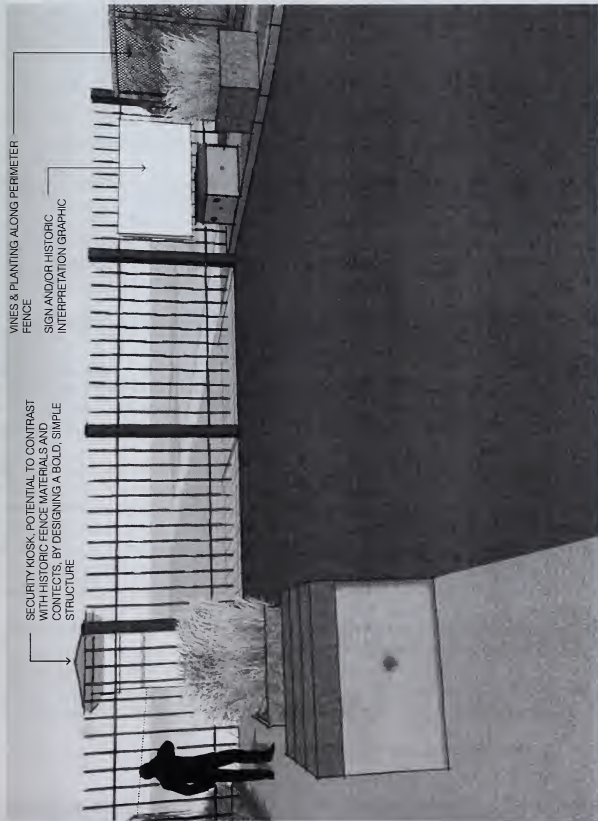


IRON FENCE

CORTEN STEEL PLANTERS,
SIMILAR IN SIZE TO KEEL BLOCKS

HISTORIC KEEL BLOCKS







MEMORANDUM

March 20, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request for authorization to award a professional services contract for municipal financial advisory services to Public Financial Management, Inc., for a term of three years with an option to extend for two years, with a not-to-exceed amount of \$140,000 annually, or \$700,000 for the life of the contract term if the two year extension option is exercised and \$420,000 if the two year extension option is not exercised

STAFF'S RECOMMENDATION: Approve Attached Resolution

Executive Summary:

Pursuant to Port Commission authorization (Resolution 14-59) Port staff issued an informal solicitation from an established prequalified pool for municipal financial advisory services.

Port staff initiated a selection process to award a professional services contract on December 2, 2014. Four timely proposals were submitted, all were determined to meet the informal solicitation's minimum qualifications. A selection panel then evaluated and scored the written proposals. Final rankings were determined and Public Financial Management, Inc., ("PFM") was selected for contract negotiations. PFM's proposed contract will include 30% Local Business Enterprise ("LBE") participation with Backstrom McCarley Berry & Co., LLC., a minority-owned firm.

Port staff now requests Port Commission authorization to award a professional services contract to provide municipal financial advisory services to PFM for a term of three years with an option to extend for two years, with a not-to-exceed amount of \$140,000 annually, or \$700,000 for the life of the contract term to PFM if the two year extension option is exercised and \$420,000 if the two year extension option is not exercised.

THIS PRINT COVERS CALENDAR ITEM NO. 12A

Strategic Objective:

The Port has a strategic objective to, "Plan and Implement a Stable Financial Future for the City's Port." Port staff continuously strives to meet this objective through improved financial and capital planning efforts that work to address a capital repair and replacement backlog that exceeds \$1 billion. To ensure that the best tools and expertise are used in this effort, Port staff may need to call upon professional municipal financial advisors that have specialized skills not possessed by Port staff, including extensive experience in, and an expert understanding of, municipal bond and Infrastructure Financing District (IFD) finance and issuances, bond sizing and structuring, and bond pricing. A municipal financial advisor may also help Port staff formulate financing strategies and plans and assist in modeling financial impacts related to capital planning and development projects.

Background and Purpose:

Port Finance relies on municipal financial advisor services to provide specialized skills related to bond issuance, including an expert understanding of municipal and IFD bond financing and issuance, bond sizing and structuring, and bond pricing. A financial advisor also will provide an understanding of current capital market conditions, access to bond trading desks at investment banks, and other expertise that will assist staff in formulating financing strategies and plans intended to meet the Port's objective of funding its ten year capital plan in a cost effective manner. Financial advisors also assist in modeling financial impacts of various scenarios. The Port's previous Financial Advisor Services contract with PFM expired in April of 2014.

Port staff is proposing an original contract term for financial advisory services of three years, with an option to extend the term for an additional period of two years, which the Port may exercise in its sole and absolute discretion. The budget includes \$140,000 for these services for FY 2014-15 and \$140,000 for FY 2015-16. No funding is yet budgeted or approved for the remainder years.

Scope of Services

The following is a description of the major services that the financial advisor will be expected to provide to the Port:

1. Provide assistance with the development of a financing plan for the Port's ten year capital program, including assistance in developing financial models to evaluate financing alternatives.
2. Provide assistance with modeling the Port's financial forecast to evaluate a variety of investment options relative to the Port's budget, financial position and bonding capacity.
3. Provide information, judgments, and forecasts on general economic and capital market conditions. Review new financial products and techniques and advise Port staff on their suitability for use by the Port.

4. Provide assistance with the timing, sizing and structuring of bond financings. Help Port staff to determine the most appropriate method of sale (competitive or negotiated), and assist in developing syndication policies and any other matters that will meet the Port's objective of obtaining the lowest practical interest cost and the widest competition of purchasers for its securities.
5. Assist Port staff with presentations to credit rating agencies, underwriters, institutional investors, credit enhancers (if applicable), and other capital market entities, as needed.
6. Provide the Port with an analysis of the benefit of credit enhancement, such as bond insurance, letters of credit, and liquidity facilities. Assist in obtaining any credit enhancement product and in negotiating their fees and terms.
7. Provide advice and assistance to the Port on reinvestment strategies for bond proceeds, bond reserve and other funds associated with each bond financing.
8. Review and evaluate all bids for each bond financing, and assist Port staff in negotiating pricing and bond allocations.
9. Assist in the preparation and review of all legal and financing documents, in coordination with the City Attorney and other relevant parties.
10. Participate in pre-closing and closing activities of all financings to ensure that the financing documents accurately reflect the terms of the transaction. At the completion of each financing, prepare a summary of the transaction describing any unique features, security, and other characteristics of the transaction.
11. Make available qualified personnel for consultations and conferences with Port and City staff and others as required. Attend meetings of the Port Commission, and other public meetings as needed.
12. Perform other financial advisory services as may be required.

Selection Process and Award:

On January 30, 2014, the Controller's Office created a list of vendors with demonstrated experience in municipal financial advisory services that are prequalified to enter into contract negotiations with City Departments. The Controller's list of pre-qualified contractors is valid for two years. The purpose of the prequalified list is to provide City departments that want municipal financial advisory services with a streamlined mechanism to contract with these firms. Selecting from the pool shortens the selection process by three months and allows limited Port contracting staff to focus on other solicitations. The prequalified procurement process fully screens for qualifications. The current municipal financial advisory services pool includes 15 consultants, of which three are LBE firms. Port staff issued an informal solicitation to the 15 firms in the Controller's consultant pool on December 2, 2014. On the deadline of December 19,

2014, the Port received four written proposals, all of which were deemed to meet the informal solicitation's minimum qualifications.

Selection Panel

A three member selection panel was convened to evaluate and score proposals on January 9, 2015. The panel consisted of a Capital Finance Director from San Francisco International Airport, a Utility Specialist from the San Francisco Public Utilities Commission and a Financial Analyst from the Port. The Contract Monitoring Division (CMD) Compliance Office approved the panel composition and attended the selection panel meeting.

Evaluation Criteria

Written proposals were evaluated and scored by the selection panel based upon the following criteria:

- 30 points – Firm Qualifications
- 30 points – Staff Qualifications and Experience
- 40 points – Project Approach and Cost
- 100 points total

A bid discount was not applied to the interview scores as no certified LBE firms submitted proposals.

<u>Final Ranking</u>	<u>Name of Prime Contractor</u>	<u>Scores</u>
1	Public Financial Management, Inc.	269
2	Acacia Financial Group	132
3	KNN Public Finance	126
4	TKG & Associates	80

On January 22, 2015, Port staff issued a notice of intent to award the contract to PFM. No protests were received during the five working day protest period after which CMD issued the official award.

About Public Financial Management

PFM is a Philadelphia, Pennsylvania based company with a local operations office located in San Francisco. PFM was founded in 1975 and engages in capital planning, revenue forecasting and evaluation, resource allocation, debt policy development, and debt transaction management. The firm has substantial seaport experience, and has provided financial advisory services to the Port of Portland, Florida Port Authority, Port of Tacoma, and Port of Los Angeles among others. PFM along with their LBE partner Backstrom McCarley Berry & Co. LLC have provided financial advisory services to the Port since 2009.

Local Business Enterprise (LBE) Participation:

PFM has agreed to exceed the LBE subcontracting goal of 20% established by CMD for this contract, by committing to 30% LBE participation. PFM's project team will include Backstrom McCarley Berry & Co., LLC, a minority-owned LBE subcontractor.

Funding:

The Port's current, two-year operating budget includes \$140,000 per year for financial advisor services. Annual funding for these services is subject to future appropriations.

Schedule:

The planned contract schedule is:

<u>Activity</u>	<u>Target Date</u>
Port Commission Authorization to Award Contract	March 24, 2015
Notice To Proceed	April 10, 2015
	April 10, 2018 (or April 10, 2020
Contract Completion	if the two year extension option is exercised)

Recommendation:

Port staff recommends that the Port Commission adopt the attached resolution authorizing Port staff to award a professional services contract for municipal financial advisory services to PFM for a term of three years with an option to extend for two years and a not-to-exceed amount of \$140,000 annually, or \$700,000 for the life of the contract term if the two year extension option is exercised and \$420,000 if the two year extension option is not exercised.

Prepared by: Boris Delepine, Contract Manager
Finance and Administration

Prepared for: Elaine Forbes, Deputy Director
Finance and Administration

Attachments:

Attachment 1: Contract Monitoring Division Award Letter

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-12

- WHEREAS, The Port relies on municipal financial advisor services to provide specialized skills related to bond issuance, municipal and IFD bond financing, and for other financial services; and
- WHEREAS, The municipal financial advisor will assist Port staff in obtaining financing at the lowest practical interest cost by providing specialized skills not possessed by Port staff including extensive experience in, and an expert understanding of, municipal bond and IFD financing and issuance, bond sizing and structuring, and bond pricing; and
- WHEREAS, A financial advisor also will help Port staff to formulate financing strategies and plans intended to meet the Port's objective of funding its ten year capital plan in a cost effective manner, will assist in modeling financial impacts and will provide other financial advisory services as may be required by the Port from time to time; and
- WHEREAS, On January 30, 2014, the Controller's Office of Public Finance created a list of consultants valid for two years with demonstrated experience in municipal financial advisory services that are prequalified to enter contract negotiations with the City; and
- WHEREAS, At its meeting on November 18, 2014 through Resolution 14-59, the Port Commission authorized Port staff to issue an informal solicitation to the Controller's Office prequalified list of municipal financial advisory services consultants; and
- WHEREAS, Port staff advertised an informal solicitation on December 2, 2014, and received four timely responsive proposals on December 9, 2014; and
- WHEREAS, Port staff convened an evaluation panel to evaluate and score the proposals on January 9, 2015; and
- WHEREAS, As a result of the panel scoring Public Financial Management, Inc., is the highest ranked proposer; and
- WHEREAS, Public Financial Management, Inc., will subcontract 30 percent of their contract to Backstrom McCarley Berry & CO LLC, a certified minority-owned Local Business Enterprise; and
- WHEREAS, The Port's operating budget includes \$140,000 per year for financial advisor services; now, therefore, be it

RESOLVED, That the Port Commission hereby authorizes Port staff to award Professional Services Contract PRT1415-05 for municipal financial advisory services to Public Financial Management, Inc., for a term of three years with an option to extend for two years in the Port's sole and absolute discretion, with a not-to-exceed amount of \$140,000 annually, or \$700,000 for the life of the contract term if the two year extension option is exercised and \$420,000 if the two year extension option is not exercised.

I hereby certify the foregoing resolution was adopted by the Port Commission at its meeting of March 24, 2015.

Secretary



CONTRACT MONITORING DIVISION CITY ADMINISTRATOR'S OFFICE




Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

Veronica Ng, Director

MEMORANDUM

Date: January 21, 2015

To: Boris Delepine, Contracts Administrator, Port of San Francisco

From: Lupe Arreola, Contract Compliance Officer, CMD 

Subject: RFP#PRT1415-05, Municipal Financial Advisory Services

CMD reviewed the submitted proposals and the summary of scores for the above referenced RFP to determine responsiveness to Chapter 14B pre-award requirements.

Ratings Bonus

None of the firms applied for or were granted an LBE ratings bonus.

Score Sheets and Score Tabulations

CMD reviewed the score sheets submitted by the panelists as well as the summary of scores submitted by Port of San Francisco Contract Administrator Boris Delepine. Below is a summary of the scores and how the firms ranked:

Firm	Total Score Out of 300	Ranking
PFM	269	1
Acacia	132	2
KNN	126	3
TKG	80	4

Each proposal was evaluated in accordance with the criteria set forth in the RFP.

Responsiveness to Chapter 14B Pre-Award Requirements

CMD has determined that PFM, the top ranking firm, met the pre-award CMD 14B requirements. PFM met the 20% LBE Subcontracting Goal and Good Faith Outreach Effort by subcontracting 30% of the work to Backstrom McCarley Berry & Co., LLC, a minority-owned LBE firm.

Should you have any questions, or if I can be of any further assistance, please do not hesitate to contact me at 415-274-0511 or lupe.arreola@sfgov.org.



SAN FRANCISCO PORT COMMISSION

4/15
**MARCH 24, 2015
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

HON. LESLIE KATZ, PRESIDENT

HON. WILLIE ADAMS, VICE PRESIDENT

HON. KIMBERLY BRANDON

HON. MEL MURPHY

HON. DOREEN WOO HO

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MONIQUE MOYER, EXECUTIVE DIRECTOR

AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING

MARCH 24, 2015

1. CALL TO ORDER / ROLL CALL

Port Commission President Leslie Katz called the meeting to order at 2:00 p.m. The following Commissioners were present: Leslie Katz, Willie Adams, Mel Murphy and Doreen Woo Ho. Commissioner Kimberly Brandon is on a business trip.

2. APPROVAL OF MINUTES – March 10, 2015

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. The minutes of the March 10, 2015 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Murphy moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

At 2:01 p.m., Port Commission withdrew to executive session to discuss the following:

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: Pier 38, located at Delancey Street and The Embarcadero
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development; John Doll, Project Manager
*Negotiating Parties: TMG Pier 38 Partners, LLC: Michael Covarrubias

5. RECONVENE IN OPEN SESSION

At 3:30 p.m., the Commission withdrew from closed session and reconvene in open session.

ACTION: Commissioner Woo Ho moved approval to adjourn closed session and reconvene in open session; Commissioner Murphy seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Adams moved approval to not disclose any information discussed in closed; Commissioner Murphy seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS: The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

A. Executive Director's Report

- Presentation by SFPD Chief Greg Suhr on Cyber Security and other public protection issues affecting the Port

Monique Moyer - We have a few very special guests today. The first one is San Francisco Police Chief Greg Suhr. Chief Suhr is a 30+year veteran of the San Francisco Police Department. The SFPD is the 11th largest in the nation. Chief Suhr manages 1,700 officers. In his tenure, crime has been down fairly significantly. Chief Suhr was born and raised in San Francisco. Chief Suhr has worked his way to the top from patrolling the Tenderloin on the graveyard shift all the way to running as Captain of the Bayview Station and the Mission Stations. He's also been the Deputy Chief of Field Operations. He's been part of the Street Crimes Task Force. He was assigned as Deputy Chief Captain of the San Francisco Public Utilities Commission in the Homeland Securities Area.

He's been Commander of the Special Operations Division and he's been a Sergeant in the Narcotics Division. I particularly like that he has a rule that as his officers are going through their Academy, they must dedicate

four hours of work time and four hours of personal time to the community each month during their Academy period. Because Chief Suhr is a very big believer in community policing and being able to talk to the community, we've seen him on TV a lot this week talking or listening to the community as the case may be and we admire that very much.

Chief Suhr works with the Delancey Street Foundation, Dr. Mimi Silbert on the Safe Corridor Program. He instituted sports programs at both the Mission Station which is related around soccer and the Bayview Station's related around basketball. He's very heavily involved with the Boy's and Girl's Club of San Francisco and the Bayview YMCA.

He went to San Francisco schools including the University of San Francisco and he has a Certificate in Counter Terrorism from USC and he recently got engaged. Please welcome to speak today to us about the City Cyber Security efforts.

Chief Greg Suhr - Director Moyer invited me to talk to you a little bit about Cyber Security and I think that we don't talk about it enough. As we bring back the 300 officers and even explore some of the discussions right now about even making the police department larger than the 1971 as that might not be enough with the way the city's growing and the different things that are happening including technology. We are paying attention to this.

One of the things that I'm smart enough to know that I'm not smart enough about everything that is cyber in technology. To that end, we worked very closely about two years ago now, with Special Agent in Charge Andy Adelman of the United States Secret Service who is charged with Cyber Security nationally. We are one of only two Cyber Crimes Task Forces in the state.

The Port is on that task force as is the PUC which has our water, waste water and public power, PG&E, our telephone subscribers, the Secret Service, the police department, other task force agencies. It's quite a group - Homeland Security, the Northern California Regional Intelligence Center. Anything that we can put together to share information about things that are going on across the country, around the world and how it may or may not affect San Francisco.

Obviously we are a world famous, world class city. We have events here all the time. We have iconic infrastructure such as the Golden Gate and Bay Bridges. We have the World Champion baseball team and the stadium that goes with it. Soon we will have another stadium and hopefully the World Champion basketball team will be sitting there. We are that city. We have weekends when we have a million people in San Francisco.

In this day and age whether SCADA (Supervisory Control and Data Acquisition), the systems that pretty much run everything right now, all the way down to problems that we've even had in the police department as we went to department-wide Smartphones. Officers would go to a perfectly innocent site that was a site that they thought would be beneficial, and by loading that site onto phones, then contaminated our own system which then begat a gobbling up of our capacity. We had to go to different systems. Now we are the only people that can put apps on our Smartphones so we don't revisit that.

So again, just 30,000 foot view of some of the things that we're working on. The electrical grid in San Francisco, we have some public power. The Bayview neighborhood is going to be completely powered by public power. All the residences, the street lamps, the Shipyard, etc. will be all public power. Most of the other power in San Francisco to residences comes from PG&E. However, a lot of the power in the city is public power like MUNI, many of the street lights, etc. comes from Hetch Hetchy.

Having been at the PUC for four years doing Homeland Security, our water system that drives that power and supplies 100% of our firefighting water, and 85% of our drinking water comes from 185 miles away and is a gravity fed engineering marvel. Gravity fed, essentially it's one long line coming down. It's got a lot of protections to it, but we protect it better every single day. That's why we have this task force so that should there be an event here at the Port. There are vulnerabilities to things that pass through the Port like with regard to BART and things like that. We work with BART also on these things.

The Super Bowl has been actually a blessing. We'll see later on how much of a curse it might be. Right now it's been a blessing in that it has us really looking under our own hood and making sure that we have all of our things in order. Again, the best thing that we can have by this Cyber Crimes Task Force that the Secret Service is convening, and the fact that they gave us one here. It's one of only two in the state, is the fact that we're connected. So we're in a room, we've met twice already. There are future meetings to discuss whatever concerns Director Moyer has here at the Port. Sidonie Sansom and I became close friends while she was the lead for security here and systems and emergency preparedness and I had the same role at the PUC.

It's nice when it's Greg and Sidonie and it's on a cell phone basis, that's the relationship that the Port has with the police department. I'm happy to go into more detail for this Commission, but if I was going to speak to specific vulnerabilities that we work to secure I think that that should happen in closed session.

I know what they are and my folks know what they are. We have response plans to same and we are on a first name basis but we are

paying very close attention to cybercrime, infrastructure protection and whether it's homegrown from an outside source even things that sometimes are done innocently but draw in malware or things that contaminate our system. If they don't shut them down, they can't slow them down which of course affects all of us.

Commissioner Woo Ho - Thank you very much for coming Chief Suhr. You mentioned that all of the information that is critical to the City of San Francisco's database is protected at this point, through this task force and whatever else has been put in place. Would that include the Port's database as well?

Chief Suhr - I would say there are certainly protections in place. But just as the folks that would be about interrupting or hacking into such systems or disrupting such systems, as they continue to work to defeat the protections that are in place the City and the people that are the most versed in this at DTIS and our Information Technology section and the directors, they constantly work to stay ahead of that competition.

Commissioner Woo Ho - Is there a Chief Technology Officer for the City? If so, are the protocols on what devices and what people can do with their devices standard and consistent for every department?

Chief Suhr - Yes there is a Chief Technology officer for the City. I think it's all subjective. I know that we have a very good Chief Information Officer for the City. I know I have a lot of confidence in my Chief Information Officer in the police department. It's actually healthy that they disagree often so it gets us to a better place. Because they're all very smart people and while they have these disagreements, they all seek to prevail and so we're going to end up with best solutions.

Commissioner Murphy - Thanks Chief for a nice update. For a non-techie person like me, I want to say thank you. I had no idea there was so much involved and the different departments that have to be tied into this. It's incredible. I found it quite interesting when you spoke about the system that you had in your department and your officers using their cell phones just completely overloaded. Is that what you were saying?

Chief Suhr - Yes, some of the officers like to listen to music such as Pandora, the music channel, when they write their reports but that takes up a certain amount of space. If you don't turn it off and everybody's Pandora is on, we gobble up all the storage and all of a sudden everything slows down before it doesn't work. We don't do that anymore.

We're the only police department in the country where every officer has a Smartphone with Internet capability but I believe that our officers are capable of handling that. The tool in solving crime has just been without equal. We're going to keep getting better and better. We have 1,600

officers who have these Smartphones and Internet capability at all the district stations. The young people who are best at this stuff, they'll point stuff out like, "Hey you know, if I wanted to be a problem, I could do X." We block that out so we get more secure all the time.

Commissioner Murphy - The other good thing about it is that other departments in the City now will know where you guys made the mistake and the system that you implemented in the beginning, get a better system to handle their departments.

Chief Suhr - Right. Some places, like the PUC was out front quite a bit on technology. It was fortunate for me, the PUC being an enterprise department, that they were a little further down the tracks than some of the general fund departments like the police department. It was nice to see that it could be done and how much more efficient many of the PUC programs and projects were just because they had the newest technology.

Commissioner Adams - It's good seeing you Chief Suhr. I was with you and Commissioner Brandon when you were honored at the Bayview YMCA last year.

Chief Suhr - Yes, those were fun times.

Commissioner Adams - You just made a couple comments that I really liked. You said the success that we're having makes us vulnerable. I'm glad that you pointed this out because even with the new tech and the sophistication with North Korea and with the cyber space, it's a threat. People need to feel more comfortable.

It's good to see that the sophistication that you guys are very well educated on it, because when I think about 10,000 new people a year moving to this city and its success, people want to come here. It seems like we're in very good hands. You have the people out there and I'm sure there's things that you can't talk about. We even have a new cruise terminal down the street. It's a lot out there that people can tap into. As a society, we're all becoming more educated about it.

The threat is real. I really appreciate you coming and talking to the Commission and that you have a handle on it because this is something that we take our freedom for granted because we live here in America, not like a lot of places in the world. We are kind of vulnerable, and it does make us susceptible to be attacked through that. I appreciate you coming out and explaining that to us.

Chief Suhr - I would be remiss following that if I didn't also capitalize on those 10,000 people coming constantly and the folks that we have here. If somebody sees something, they have to say something. There's only,

at any one point in time, 60% of the police department working the streets of San Francisco. They're good, but we're not as good as a million people working the streets of San Francisco, looking around.

Certain people use the same path to work, the same path home all the time. When something seems amiss, or if somebody's doing something that seems curious or a little bit more than it ought to be and you have a Smartphone, take a picture of it. Send it to us or call. If it's around critical infrastructure, don't just discount it. Call.

We have one of the best bomb squads in the United States. They go out literally every single day and render whatever we get called on safe. We've never reached our capacity to respond, and we don't think we ever would.

Commissioner Adams - Can I ask one more question? You don't have to answer, but when I was watching the news recently, it was saying that ISIS basically almost has a sail in every state in the country. It's a reality.

Chief Suhr - Right. I know that they did threaten Twitter and there was a side believed by proxy threat to Facebook because of certain messaging systems being turned off. Of course we're headquarters here in the Bay Area, San Francisco in particular for both. If not that, the founders. We've been in very close contact with the founders of Twitter, the people that were directly threatened. As well as Twitter headquarters, and reached out. Those folks are all working with our Special Investigations Division just to make sure that those folks, their premises, their buildings are safe. In kind, that if they see something, they say something.

Commissioner Katz - Chief Suhr, I also want to thank you for coming here. I appreciate you taking the time to address us and also to use this opportunity to help educate the public as well as to all that goes on. I was pleased to hear that San Francisco looks is developing best practices. Certainly our selection to be part of one of the selected sites in the state would demonstrate that. It seems we have an opportunity to share with other cities and other states even what we're doing. Hopefully you're taking that opportunity and possibly even, often a revenue generating service -- consultants to other entities. I know some other departments do that at times to help others develop the best practices that we've done here.

I know it's a constant battle to stay ahead of the new threats and this highlights that some of the concerns we have today are no longer what one might consider just a garden variety but now the cyber threats that we're facing are significant and we're hearing more and more about those. I appreciate all the efforts to coordinate with the other agencies that you're doing as well.

I appreciate your efforts to coordinate with the Port because we have probably more on hand with everything in terms of the number of visitors we have coming along the waterfront as well as the cruise ships coming in and other cargo coming in and out. Thank you for that as well.

Lastly, I know there's quite a bit of redundancy in our systems and that's important to note also. You mentioned that our officers have Smartphones which I was disheartened to hear that we're one of the few forces that have those.

Again, that was sort of going back to the point, lessons learned. That opportunity really is going to be significant and something I've learned from your concerns about potential disasters living in earthquakes, it is having these Smartphones that may be what will be most significant for all of us is if in emergencies as we need to communicate, not just with other officers, but with the public. I'm pleased to hear that our officers have those capabilities as well. I want to thank you for being prescient and ahead of the curve.

Chief Suhr - I have to give credit to Special Agent, Andy Adelman, actually he's now retired. He's at Blackberry as Head of their Worldwide Security. He's been a great partner. In our meetings, he's offered the services of the Secret Service to do vulnerability assessments upon request of anybody who wants to have their systems, what they call, "red teamed," to see where the vulnerabilities would be. Everybody got homework assignments last time.

The thing that we do here in San Francisco that has been really smart over my time in the police department is whatever calamity occurs around the world, we adopt it like it happened here and then we train to it citywide. Whether it was preparing for the first earthquake in 1989. Whether it was Y2K, the different World Series that brought in a lot of people, now it's to the Super Bowl, tsunamis that happen other places, we train to that.

The different transit situations they've had around the world with regard to terror attacks, we train to it. We've done midnight drills with fire department and MTA along Market Street, with BART. All about protecting our infrastructure and ability to recover should anything take place and that will continue, I would imagine forever. Because that's just the way we do business in San Francisco.

Commissioner Woo Ho - It was very interesting that you pointed it out because we started hearing a little bit about Cyber Security as being your key topic. I wanted to commend you, though we sometimes do feel the consequences, but you do a lot of physical security, particularly because we have a lot of high profile visitors like POTUS which then snarls all the traffic around the city.

The physical security and the way you just described how you integrate Smartphones with any physical security issues even for ordinary citizens to be able to report any issues or concerns that they have that they can translate that is very important. Following on what Commissioner Adams was mentioning, since ISIS has now listed, and I think it's very tragic, the 100 service people in this country and saying that they're targeting them. I didn't look at the list myself on the Web, but I know it exists, in terms of whether there are specific things that you have to deal with in San Francisco now given that we now have some very well-known targets that are in this country. It's really taking it to the heartland of America to, this fear is going to strike.

Chief Suhr - We have representatives on the Terrorism Task Force for the FBI that work with critical information and shared back and forth. If we get any threats, I actually had to go through the process to get the top secret clearance so that if I can be briefed personally to then pass that down.

They categorize things as versus credible threats versus information versus just general be aware things, as well as high profile events that could bring special attention to a certain city, state, district, whatever. Our Special Investigations Division is constantly working with the Counter Terrorism Task Force to work on these things.

Commissioner Katz - I won't ask you to delineate specifics, but I appreciate your working with Sidonie and others at the Port. Obviously we want to make sure that we maintain that flow of information and if you or your team thinks that there's anything that we need to do to increase or protect against any of our vulnerabilities, please let us know.

Chief Suhr - Straight away. You do have dedicated San Francisco Police Department personnel. We work closely with the Director and they have the same Smartphones that can access all the other officers on the street and get help pretty quick.

Commissioner Katz - I know you're under a time crunch. Thank you very much for coming today. We may see if you'd be willing to come back sometime again next year or in another cycle to just update as well.

Chief Suhr - Whenever you'd like.

Monique Moyer - Chief, thank you so much. Publically I'd like to just say thank you to you personally but all of your team for the dedicated attention you give to the Port. All of the successes that we've celebrated. You've named a few, the World Series, but also the America's Cups and the opening of our Cruise Ship Terminal and now being able to have 24 million people without fencing and gates to go through is in large part because you're there to support that effort. We see your personnel every

single day, mostly as ambassadors and it's a really nice partnership. Thank you very much on behalf of all of us at the Port.

Chief Suhr - I appreciate it. Thank you.

- Sunday Streets at Bayview and Dogpatch neighborhoods – April 12, 2015 from 11 a.m. to 4 p.m.

Monique Moyer - The next Sunday Streets will take place in the Bayview and the Dogpatch neighborhoods on Sunday, April 12, 2015, the Sunday after Easter. It runs from 11:00 AM to 4:00 PM. Sunday Streets originated in 1976 in Bogota, Columbia. It came to San Francisco in 2008 and this will be its sixth year visiting Bayview and the Dogpatch. This particular Sunday Streets is the longest one in the city. It's three and a half miles of car free space. People are encouraged to bring their bicycles, their roller blades, or any kind of wheeled vehicle. Hopefully many of you will avail yourselves of that opportunity. It's a lot of fun and our very own Port staff will be hosting a booth to help the community get to know the Port a little bit better. Thanks to Byron and his team and others, we will be going out to all the Sunday Streets this year.

- Commendation for Larry Peoples, General Laborer, on his retirement

Commissioners, we have another retirement. This one is a commendation for Larry Peoples, a General Laborer. He joined the City in 1976 as a General Laborer out at San Francisco Airport. He worked there for about 10 years. Then he came to the Port in October of 1986, so he got to be here for three blessed years before we had the big earthquake and then he was here ever since. Mr. Peoples has been at the Port for approximately 28 years. He is well known up and down the waterfront because one of his many jobs is to keep it crystal clean. He can be seen most mornings, mostly before many people arrive at work, coming in and riding the street sweeper to make sure that the sidewalk is clean and pristine and welcoming.

He has teased us many times that he's going to retire, but this year he actually did it and I think he's been back several times. He came on Valentine's Day and gave us all some treats which we greatly appreciated. We want to say a very special thank you, Larry, for your 28 years of service. It's phenomenal and we enjoy seeing your friendly face and I know the community enjoys seeing your friendly face, as well as some of the special work that you do with Hope Children which are communities severely affected by HIV/AIDs throughout the world. We really appreciate that.

We won't get to celebrate with you but we wish you a very happy 80th birthday and we hope you will come back for the annual barbecue and

other things. We thank you for your service and the legacy you're leaving with us. Please join me in thanking Larry Peoples.

Tom Carter, Port Deputy Director for Maintenance - Today we're honoring Larry Peoples, one of the most lovable Port employees. If you ever spent time, as Director Moyer said, on the Embarcadero, particularly north of the Ferry Building in the early morning, I'm sure that you've met Larry out there keeping the Embarcadero clean.

He took pride in his work. He was dedicated, hard-worker, but never too busy to stop and to help out a visitor or to greet all the folks along the Embarcadero that run and make their way to work in the morning. He was a true ambassador for the Port and the city in the way that he dealt with the public.

For me, Larry is a gentleman and was always very nice to me. He was a person of wisdom who I drew many insights from. We shared many conversations and they were very beneficial and making my days here at the Port productive and to know what was going on out there in the field. I really enjoyed listening to his wonderful life stories. He shared many of those with me and ones that I can't share with you folks, but they were very enjoyable.

One day we were sharing stories about work experience, and Larry, I hope you remember this, he said to me, he says, "Carter," he says, "When you leave, I'm leaving with you." And I'm glad that you didn't Larry. I'm glad that you got to leave on your own time and when you wanted to. We're going to miss your smile and your laugh. As you can see he has a wonderful, infectious smile. We'll miss seeing him on the Embarcadero and greeting folks. For me, it was always comforting when I drove in in the morning and there was Larry doing his work. It just made you feel really good about working here at the Port. Larry, I really wish you the best and hope that you enjoy your retirement. Thank you.

Larry Peoples - Thank you.

Lavena Holmes, HR Manager for the Port - I wanted to say, from an HR perspective, Mr. Peoples is really one of the best employees. His supervisor says, "Larry comes to work on time every day and does his job." I wish I could say that about every employee who's ever worked here at the Port, or I'm sure any HR manager in any organization. I wanted to say, on behalf of those ladies who receive 100 boxes of chocolate every Valentine's Day at the Port, that you finally get your own. Thank you so much for your service to the Port after all these years.

Commissioner Katz - Mr. Peoples, I think it's been captured very well. I've never seen you without a smile. You will definitely, definitely be missed. You've been such a tremendous ambassador for the Port.

It's been acknowledged that you're someone that's the face of the Port when people are coming along our waterfront in the morning and at other times and it really makes a difference. I always hear such good feedback from my friends that have nothing to do with the Port, when they say, "You know, I was just down there and everyone that seems to work for the Port just seems nice."

I know they've been referring to you because you're the one they see. You will definitely be missed but we certainly want to congratulate you on your retirement and wish you a very happy birthday. We hope you will please come back and visit us often.

Commissioner Adams - Larry, you probably don't remember, but I run every morning and you and I would always talk. I never told him I was a Commissioner. I just would go up and we would have a conversation. I would just ask him, "How do you like this job? How are you being treated?" We just talked and he was very nice and he told me about his younger days and stuff like that. At 80, you look well. I mean, you look real well.

I think that while you keep working, it keeps people alive. I think sometimes people retire and die, because it's a change to the system, it's a shock to the system. I think it's kept you youthful. I just wanted to thank you, and like Leslie said you've been an ambassador, your positive spirit. During my runs down the waterfront, I enjoyed talking to you because we would just talk and I knew you were working for the Port and I thanked you several times. I didn't want you to know, as a Commissioner, we were just talking as two guys. It was so pleasant just to talk to you every day. I am a laborer, a worker. In you, I saw a lot of traits of humbleness, a meekness, a kindness, but also a man with a lot of common sense and a lot of wisdom. It really evokes what, the things you can take for people, sometimes the best gifts that you get from people, you can't buy them. They're given to you. Thank you.

Commissioner Murphy - Larry, I've never met you until today. I hope I look as good and walk in here as straight as you did at 80. I really do. Tom mentioned a couple times that you're a real gentleman. You're old school. I'm old school. I really respect that. I hope you have a great retirement. Why did you wait so long to retire?

Larry Peoples - Well, main thing, I liked the job. I liked the people that I'm around with every day. I like it here. I actually wasn't going to retire but when I went down to retirement to find out, they told me I'm losing money for staying here.

Commissioner Murphy - I love that sense of humor. Thank you.

Commissioner Woo Ho - Larry, I want to congratulate you and thank you for all your wonderful years of service. It's amazing to hear all the stories

that you and other people that we've been hearing recently that have retired. We hear a lot of kind of hard core things what's going on with the Port, but at the end of the day it's the people that make this organization come alive.

It's very special people, even what you do every day, which kind of greets everybody, makes people feel whether they're going to have a good day or not and that's so important. You and with Mauricio the last time, you are the true mascots that we hope to keep alive. You have a long legacy here and I have to say you look awfully spiffy today.

Larry Peoples - Thank you.

Commissioner Katz - I want to present you with a plaque with the following inscription: Presented to Lawrence Peoples, General Laborer, October, 1986 to February, 2015. With appreciation for your 28 plus years of outstanding service. Congratulations and best wishes on your retirement. The Port of San Francisco.

Commissioner Katz - It would be a privilege to have former Commissioner Fong to join us as he served with Mr. Peoples.

Larry Peoples - I enjoyed my job every day, all the people I meet on the streets and that's what kept me going all the time. Just people like the bar pilots and when I walk in now they say, "Hey, look at here, soda water, water, anything?" People out there have those stands, "Oh, we've got fruit for you today." All those kind of people made me kept going. I love them.

I will drop by sometimes just to see them too and thank all you all for everything you all helped me too. And with my son passing, you're all alright with me and you all said, "We got your back." Thank you very much.

Monique Moyer - Thank you so much Larry, it's been an honor. You're truly an inspiration to all of us.

B. Port Commissioners' Report

Commissioner Katz – Briefly, I want to mention that we had the opening of the Yard at the corner of the Lefty O'Doul Bridge and McCovey Cove and it couldn't have been a more beautiful day to showcase our Port and the waterfront and what we're trying to do in terms of bringing people down to the waterfront or to that area not just when there's ballgames going on but all throughout the year.

In partnership with the Giants, they've opened up a new sort of pop-up if you will. It's called the Yard. They have Anchor Brewery down there along with Off

the Grid, representatives from SFMade, the North Face and it'll be rotating opportunities for different food trucks and others to come in from Peet's Coffee to Humphry Slocombe Ice Cream, Señor Sisig and a few others down there. I think there's barbecue as well. It's going to be quite the destination. They opened up officially this past Friday so I encourage everyone to head down there, enjoy our beautiful waterfront, some of our local businesses. We're very pleased to have seen that get opened up.

One of the things I was particularly excited about as well is that it's using repurposed and recycled materials so it's taking advantage of finding ways of putting old materials to good use again. Executive Director Moyer spoke at the opening as well. I look forward to spending many an afternoon in the sunshine and possibly even listening to some music down there. I encourage you all to go check it out.

10. REAL ESTATE

A. Informational update regarding visitors to Fisherman's Wharf and Phase 1 of the Jefferson Street Public Realm Plan.

Monique Moyer - This item and the next one were the idea of President Katz as we had a little room on our agenda, to try to get back to showcasing some of our tenants and partners. It corresponds beautifully in terms of timing with some survey results that Troy, on behalf of the Fisherman's Wharf CBD, has coming forward which I hope he'll talk about.

I want to add my welcome to former Commissioner, Rodney Fong, Planning Commissioner. Also my thanks to Jay Edwards and Rip Malloy for all the work they do in the Fisherman's Wharf and Northern Waterfront area. I also want to recognize Lisa Pagan from the Office of Economic and Workforce Development, the "CBD Czar" on behalf of the City. She has worked with us numerous years with respect to the Fisherman's Wharf CBD and some other soon to be CBDs.

Troy Campbell is a fascinating guy as I hope you'll get a sense of today. He has been with the Fisherman's Wharf Community Benefit District for about almost five years and for the last, coming up on three years, he has served as Executive Director. He'll be celebrating his third anniversary in that role coming up here in another month or two. Before that he was a manager of the marketing sector.

Troy oversees the CBD's market research work, their brand and destination marketing, their sidewalk operations, their beautification and order work, traffic and urban planning and emergency preparedness. In fact, they just won an award which I reported on not too long ago, they were recognized for their work in the area of community preparedness and the NERT program.

The CBD, through Troy, partners with many agencies, including the San Francisco Police Department, the fire department, our Port, the Department of Public Works, the Municipal Transportation Agency, the Office of Economic and Workforce Development, as well as private entities such as Pacific Gas & Electric and the Building Owners and Management Association. The CBD as you know, Fisherman's Wharf area is the second most visited tourist destination in the state of California, but even saying that, I think some of the data that Troy is going to present today is still going to shock you in a positive way.

Troy serves as a Vice President on the Board of Directors for the San Francisco International Ocean Film Festival, but he also has had careers as a photographer with C73 Media. He's done product development for a couple of different firms and he's done event planning and he's even been a Park Ranger for the National Park Service.

The only thing I couldn't find in your background Troy is that you've been a fisherman and a chef. I suspect that that's going to be next because otherwise, you have covered almost everything that Fisherman's Wharf has to offer. But most importantly, you've been an extremely great partner for the Port. You've helped sponsor numerous events that are important to all of us as well as been our ambassadors with a growing population of public and we really, not only value that, but it's a lot of fun too. We appreciate that. Thank you for coming down today on three days' notice.

Troy Campbell - Thank you for having me today. I'm very excited to be here today and share with you some of the data and some of the information that we have been collecting over the past two years and like Monique said, hopefully there will be some gasp-inducing figures that I share with you today.

Fisherman's Wharf, Monique had touched on some of our mission, but some of the things that are currently in our management plan to emphasize on are funding for Phase 2 of Jefferson Street, district cleanliness and safety, beautification, additional signage that supports district branding, strategies for addressing homelessness in the district, continuing to make the district prepared for emergencies and improved transportation.

Fisherman's Wharf is as you know, or may not know, the top destination in San Francisco and is ranked the eighth top U.S. attraction by Forbes. The district supports over 8,000 jobs, generates \$65.6 million in revenue annually to the city of San Francisco through rents to the Port, payroll, sales, property, hotel and parking taxes. There are 11 parking garages in lots of the Wharf that generate \$14.2 million in parking revenue tax. The district has 13 hotels with over 3,200 guest rooms and it has the highest occupancy rate and average daily rate in the city.

In this fiscal year, the busiest day that was counted was on October 11, 2014 and that was 92,225 people, enough to fill AT&T Park twice. The busiest

month was September with 1.6 million visitors. And all this going on while the district is still home to, as you know, an active fishing fleet.

Who are Fisherman's Wharf visitors? San Francisco, the Bay Area and California residents make up 39.2% of the overall visitors to Fisherman's Wharf. The remaining 29%, 30% is other U.S.A. and 30% are foreign residents. Out of the foreign visitors, the top country is the UK, followed by Canada, Germany, Australia and Japan. China was actually number six, just barely behind Japan.

Our top domestic feeder markets, as you would probably guess, San Francisco, Oakland and San Jose is number one. L.A., Riverside, Orange County, number two. Sacramento, Stockton, Modesto, number three. San Diego, number four.

Who are our visitors? Sixty seven percent of the visitors that come to the Wharf basically come to sight see. 10.8% stated that they had no specific reason for going to the Wharf. We also know that many of the visitors, the vast majority, say that the reason why they come and the thing they like is the views and the ambiance of Fisherman's Wharf. The mean age is 40.3 age and the mean household income is \$92,000. 59.2% have completed college or graduate school.

How do people arrive at the Wharf? We have data for 2014, 2010 and 2006. That's because we did intercept surveys in all three of those years and we've seen a lot of movement. The biggest one we've seen is people walking. From 2006 it went from 18.6% to 28% in 2014. Automobile still is on the top, and even though it was number two, it has risen from 2008 and 2010.

Shockingly in this last intercept survey, we found that both street car and cable car was down. So whether those people are driving -- but most likely walking instead, is the theory. I also included that 35-50% of Pier 39's visitors arrive by car and they have over 900 parking spaces there. I also have the numbers for the Fisherman's Wharf parking lot but I'm going to touch on that a little bit later.

I'm going to move on to our employees. How do our employees get to the Wharf? They're struggling, actually a little bit. Merchants have shared that they have been experiencing difficulty in hiring and retaining employees who count on public transportation to get them to and from their jobs.

We did a survey of businesses, and 59 that responded said, "261 employees have had to leave their jobs in the last year because of the challenges they have in getting to work." Furthermore 30 businesses, 52%, shared that they are experiencing problems achieving their desired staffing levels.

We further asked, "Well, what is your staffing level?" 23 of those businesses share that out of their combined 657 positions, 177, 23%, are currently open.

This is something that we're going to be focusing on and working to help remedy because with increasing rents in the city driving workers to the suburbs and further out, with a higher minimum wage, I think we're currently on par with the minimum wage in Oakland. Seeing that most of our employees come from the Northeast part of the Bay, we have a bit of a struggle in attracting employees to the Wharf.

Bikes at the Wharf. Fisherman's Wharf is an embarkation point for bicycles. Strangely only 2% of our visitors arrive by bike, but over 400,000 bikes are rented between the over a dozen bicycle rental locations within the Wharf. On average, and in the peak times of the day, there are between 1,500 and 2,200 bikes. That equates to about 360 bikes per hour and six bikes every minute.

The Jefferson Street Phase 1 and 2 use the Shared Street concept. There are many different types of modes of transportation aside from bikes because we have Go Cars, motorcycles, Segways, all kinds of things. But with street parking eliminated on two of the five blocks at the Wharf, visibility for cyclists has increased. The dangers of people getting hit by cars pulling out of parking spots, doors opening into the bikes and into the bikeway, and parallel parkers has now been a non-issue on three of the blocks at the Wharf.

We've also worked to curtail deliveries and that is that businesses on the two revamped blocks of Jefferson Street are not to receive deliveries after 11 o'clock. This correlates with our pedestrian count and our vehicle counts of the street, that the spike in people happens at around 11 o'clock and then starts to taper off at around 5:00 PM.

Pedestrians at the Wharf. This was the one that I was excited to share with you. On average, Jefferson Street's three most heavily impacted areas have more pedestrians than Time Square's three busiest areas.

On July 27, 2014, the Fisherman's Wharf had three cameras installed on Jefferson Street. One at Boudin's, one across the street at the Wax Museum and a third one at Jefferson and Hyde. These are springboard counters. It's the same technology that's at Time Square, same reporting. Everything is apples to apples. So pulling up their pedestrian counts, between September and February, and comparing them to our three cameras, and we only have three and they have about 20, comparing those, Fisherman's Wharf had 11,000 more pedestrians than Time Square at that time.

The counters basically count the footfall. Then there's an algorithm that deducts and figures out what the pedestrian is. Counting footfalls, the north sidewalk at Boudin's from July 27th to March 12th, had 3.9 million footfalls, 3.9 million people walking by that spot. Overall, in all three of those areas, we added a fourth camera at Jefferson and Jones, in November. The total so far has been 11 million footfall counts at the Wharf. There were a lot of people.

We've been tracking Phase 1 and the impacts that it's had on the community and that's what I wanted to share with you right now. The impacts of Jefferson Street Phase 1, we tracked 18 of the 33 businesses on the two revamped blocks of Jefferson Street, from July through November of 2013. This would be the first months that the street opened and we could really gauge how it was having an impact.

When comparing the gross sales to the same period in 2012, businesses saw increases month over month between 10-21% on averages when compared to the same month of the previous year. From July through November of 2013, these 18 businesses generated \$1.5 million in gross sales more than the previous year. This added approximately about \$150,000 more in sales tax during that five month period.

With significant changes to the street from Phase 1 and how the traffic controls and the signage was implemented through the Public Realm Plan to accompany the Jefferson Street, the Fisherman's Wharf parking lot, commonly known as the Triangle Parking Lot, saw increases in both vehicle, parking attendance, and in revenue. With parking control officers in place from June to August, redirecting traffic off of Jefferson Street, the public is accessing the lot from redirected routes and sources like Powell and Taylor Streets.

In 2013, there was a dramatic increase over the previous year with a total of 19,842 more cars in the lot. In 2014, the trend continued and there were 7,300 more cars year to date and in 2013, 27,150 more cars than in 2012. In comparing October of 2012 to 2013 versus October of 2013-14, the Triangle Lot had a gross revenue increase of \$326,000 and conceivably this makes up for the loss of \$218,000 that was reported to this Commission in 2012 which would've been the loss for removing the parking stalls on Jefferson Street. So conceivably that money was made up with the increased numbers at the Triangle Parking Lot.

We continued to track eight businesses. The numbers that I just shared with you were both Port and those from the Cannery Building and Anchorage Square businesses. But we continued to track eight businesses on the north side of Jefferson Street from December 2013 to 2014 to see if the trend continued. With the exception of two months where things stayed the same, there continued to be increases, as much as 33% in May of 2014 and as low as 10% in March of 2014.

We also have done some survey results and we have some really good things to share about that. We asked some questions specific about Jefferson Street and some questions that we've asked throughout the years to see how people think about the Wharf and how they gauge the Wharf. What we've seen is a downtrend of some of the negative comments.

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CONTENTS.

THE
JOURNAL OF THE
ROYAL ANTHROPOLOGICAL INSTITUTE

VOL. LXXV. PART 2. 1945.

CONTENTS.

THE
JOURNAL OF THE
ROYAL ANTHROPOLOGICAL INSTITUTE

VOL. LXXV. PART 3. 1945.

CONTENTS.

THE
JOURNAL OF THE
ROYAL ANTHROPOLOGICAL INSTITUTE

VOL. LXXV. PART 4. 1945.

CONTENTS.

When survey respondents were asked an open question, "What do you dislike most about the Wharf," I can happily say that the number one response was, "There is nothing I dislike about the Wharf." I love that. But issues regarding the public realm that show the Wharf's improvements are getting traction with our visitors, the answers "too crowded" and "lack of seating" appeared in all three surveys. But the numbers have decreased. As you can see, in 2006 it went from 25, it went up in 2010 and is now at 15%.

People that answered there's "lack of seating," they don't like it, has gone from 3 to 2 to 1% over these three surveys. When one of the goals of the Public Realm Plan was to create an atmosphere that fosters longer stays at the Wharf, and the recent survey shows that those staying one hour or less has been on the decline. In 2006, 11% of the people stayed one hour or less. That's gone down to 6% in 2010 and 3% in 2014. We've asked people how much they will spend at the Wharf, that number has gone up. So it sort of balances out, that as long as people stay longer, they spend more. It went from \$109 in 2006, \$128 in 2010 and \$135 in 2014.

The last one I wanted to share was, "How satisfied are you with your visit to the Wharf today?" This was another question respondents were asked and they were given the options of, "Good, Very Good, Neutral, Poor, Very Poor." Combining Neutral, Poor and Very Poor, we also saw reductions on seating, people complaining they weren't satisfied with the amount of seating went from a high of 42% in 2006 to 22% in 2014.

Walkability went from 16 to 10 down to 8%. So all of these things have been on the downward trend and that speaks to not only Jefferson Street Phase 1 but also the expansion of Taylor Street in front of the crab stands and the Pier 43 Promenade where a lot of seating was added.

Something else that has been exciting to see is that in 2014 and 2015, \$121 million is being put into the Wharf by private businesses. The Wax Museum building, the Radisson hotel, Ghirardelli Square, Pier 2620 hotel, all of these businesses have been putting a lot of money in. Now, considering 2014 and 2015, \$121 million is more than the years of 2013, '12 and '11 combined. So this is a tripling of the capital improvements being put in by private businesses in the Wharf.

The visitors' reactions have been very good as well when asked what they thought about the changes. Three fourths of the visitors report that they approved or strongly approved of the changes and only less than 2% expressed any degree of disapproval in what had been done.

With Phase 1 of a redesigned Jefferson Street completed in June of 2013 and nearly two years since its completion, we see these numbers, these survey results to show that this has been a success. Now we're moving on to Phase 2. Phase 2 has community support. It's been covered in all of our community meetings and outreach. The design has been tweaked to make sure that it

takes into account the feelings and wants of the neighborhood and Port tenants.

The EIR that was done for Phase 1, Phase 2 was covered under that. It simply needs the funding to complete the construction drawings and for the construction. Investing in Fisherman's Wharf, San Francisco's number one destination and America's eighth top tourist attraction will ensure that it continues to be an economic engine for San Francisco, San Francisco's number one industry and for the Port of San Francisco.

Phase 2 is currently on DPW's 10 year Capital Plan and will be considered by the Capital Committee for recommendation to the Budget Committee. We are very close in completing this project and so we just ask for you to continue to support this project and help in any way you can. Thank you again for supporting Phase 1 and all that you've done to help make that happen.

Commissioner Rodney Fong - I don't have any data for you but just sort of an on the ground experience and thank you for hearing me. Director Moyer, nice to see everybody here. I want to thank you for something and really ask your support. First I'd like to take a second and thank you all individually and collectively for what you've turned the Port into. Just walking up and down here obviously daily and seeing what's going on, seeing more coming down on the Southern Waterfront. It's really come a long way. I hope everybody takes the opportunity when it's appropriate for yourselves personally to of absorb it all.

Monique, Troy is actually a really good fisherman. But when it comes to fishing for dollars, he's very good. Phase 2 is just really important. I just want to stress for a second, Fisherman's Wharf, we're all those stats and we are the number one destination.

San Francisco, as you know, is just booming and we frankly have competition. The city is getting larger. People are spending more time elsewhere, which is great. We're seeing that along our own waterfront here, the arena is going to be online soon and we're going to see some distraction of either dollars or time. Time is obviously the most important thing.

I ask you, if you can, to continue keeping our number one attraction number one. When that opportunity comes, it's very important that we take advantage of this great time when the city's in an economic position to reinvest back into our infrastructure. Clearly Fisherman's Wharf is a place that has worked, is working and will continue to work if we keep nurturing it. I want to thank you for that.

Commissioner Murphy - The \$1.7 for the drawings and soft cost. Do we have the money for the actual work?

Troy Campbell - No. \$1.7 million for the construction drawings and then there is an additional \$11.5 million for construction that would hopefully come for the Fiscal Year 2016-17. So the \$1.7 would be for the Fiscal Year 2015-'16.

Commissioner Murphy - Any idea where that money is going to come from?

Troy Campbell - We'll be looking. We've identified several grant opportunities that we're going to be looking for. Because the Jefferson Street is about widening sidewalks, adding light, making it safer for bikes, the project has a lot of attractiveness to those types of grants that are basically looking for those kind of projects to help with public safety and improve bicycle lanes and safety.

Commissioner Murphy - It's a great project and the sooner we get it going the better. Rodney is right. People are coming to San Francisco and they're not just staying in Fisherman's Wharf. In my neighborhood in Noe Valley, the tour busses are out there and it didn't used to be like that but it's very busy out there. People are spending a little bit more than an hour in the other neighborhoods which is great. Thank you very much for the update. It's very mind boggling all the statistics that you had there.

Commissioner Woo Ho - Thank you very much Troy for the report. It's always nice to see just exactly how you've documented. Obviously this survey was a lot of effort to pull everything together. I guess no surprise in some ways in terms of some of the information.

On transportation which was where I think some of the surprises came from, and one of the areas that we're dealing with not only in the Northern Waterfront but across the Embarcadero and in the city in general is increased traffic congestion. Part of that's aggravated by all the construction going on, which we're a victim of our success. As you can see downtown, there's cranes and everything everywhere. It's affecting us everywhere.

Where you struck a chord with me is this is now beginning to hit your ability to attract employees to come to work. I think you mentioned that many of them live northeast of the Bay. The other thing that we are trying to do along with the MTA, and you shared this information hopefully with them -- because they keep saying they're studying the traffic issues and what else could be done along with MUNI and whoever all the other agencies.

One of the areas that I'm pretty well known to hammer on, is whether more water transportation has been considered to help people to get to where they need to be. We've had the pilot going at the Port with two operators, one a water taxi and the other on demand service as well as scheduled services. I'm wondering how all the various players, and you being a key part of obviously the waterfront, are working across the various possible suppliers as well as the City and the various departments in the City.

Every little tactic that you can think of that can improve this would be helpful. It would be very unfortunate if we can't get the employees to the place of work where the city's most visited attraction is located and where the visitors are going. Not being able to provide the service, which we all know would mean, over time a decline which would be very unfortunate. I don't know what efforts you've made to reach across with all the transportation gurus in terms of those who are studying it, those who operate it, etc. to figure out what the solutions are.

Troy Campbell - I presented that survey results to the MTA Board and Ed Reiskin and then have since met with Julie Kirschbaum about this specific issue. I think they were quite surprised to see some of this information. Anecdotaly, we just had a job fair that we hosted at the Tel-Hi Neighborhood Center this past Saturday, and even though we doubled the marketing for that job fair, we had half the people we had last year. We're continuing to look at this.

Julie Christensen, our current supervisor, is very well aware of our survey. Before she became Supervisor, she helped me draft the survey questions and is very familiar with the results of this. We have been reaching out. We're going so far as to even looking at possibly having merchants pitch in and do a Wharf shuttle for our employees to help them get to and from work.

Because it's not just a MUNI thing, because they're coming from the greater Bay Area, there's a lot of other players involved as well. It may not be that it was a MUNI thing, but their connection to get to BART from wherever they are at, making three or four transfers in a day. A lot of times the people, they take the job, and then after working it for a couple weeks, what I'm told is that people just kind of say, "You know what? This isn't worth it. I'm spending so much time and as soon as I miss one bus or the BART then it dominoes into making me late."

We are working, this is something that we're really focused on right now to try to find a solution for. There is the number 11 bus that's going to be coming on line. I think that is either this summer or next, hopefully it's this summer. But the number 11 will be running, sort of what the number 10 used to do but will be coming across Market and Montgomery. It will be stopping at Montgomery Station and then continuing to the Wharf. That will give people the option if they're coming on BART to not get off at the Embarcadero and try to take the F-Line because it becomes so crowded with visitors in the summer time. But to go to Montgomery and then they can catch the bus up to the Wharf. That might help alleviate some of the issues.

Also this summer, starting on weekends in July, the E-Line will start running that might help some people get from Caltrain and down in Mission Bay. Because that E-Line will run weekends only unfortunately until next year, but run from Caltrain all the way to Jones Street.

Commissioner Adams - Good presentation Troy. This is what we call progress. You know, we stress health and more people are walking, they're out there because as Commissioner Woo Ho said about the congestion. This is a part of our success and Mayor Lee made a decision, and the Planning Commission made a decision. They're taking this city forward into the century of the Jetsons. We don't live in the Flintstones anymore. So we have to make the adjustment.

I appreciate Board President Rodney Fong from the Planning Commission being here. There are some things we have to work through, but also I wanted to answer Commissioner Woo Ho's question, she said, about people not wanting to work here. The City tried to raise the minimum wage so people could afford to live here. But let's face it, most people that have lived here a long time cannot afford to live in this city. That's what this issue's about, the affordable housing and other things.

Fisherman's Wharf has that Midas touch. They're doing well. With 10,000 people a year moving here, it's going to continue for people to go down there and it has the exposure. I like it. I think it's some good problems to have. I really like Phase 1. I'm looking forward to Phase 2.

If you go to places like Shanghai, 24 million people live in that city alone. We get 24 million people, and so we're kind of used to having a lot of space and everything kind of runs fluid but San Francisco's a small city. We've just got to get used to moving and finessing our ways around and finding other forms of transportation.

The water taxis as time goes on will play a bigger part in people going to Fisherman's Wharf that they don't have to drive. They can get on the water taxi. I really like this and I'm really glad you brought this information out because we've got to continue to support Fisherman's Wharf and more people will be coming to this city and we will be getting more visitors.

I can't imagine how many people will be down there when the Super Bowl happens here. It's going to be madness down there. I want to be in the middle of that madness. I want to have a couple drinks. I want to be down there. Because to me that's chaos and chaos is life. It's vibrant. I like it. I'm not ready for a rest home right now so I'm going to be down there with you and I support you.

Commissioner Katz - Troy, thank you so much for coming and for your presentation. Wow, really exciting. We took a little bit of a gamble when we tried to do some of the reconfiguring on Jefferson Street and we all kept our fingers crossed and I'm so pleased to see how well that's turned out and I'm excited to see what we're now going to hopefully get from Phase 2. Obviously whatever we can do to be helpful on that front. Count on us as we look to that.

Again, as my colleagues have said, it's very exciting. When people think of San Francisco, they think of a number of things - the cable cars, Golden Gate Bridge, a few other iconic spots around the area, now the Ferry Building. But virtually everyone that comes here from elsewhere also thinks of Fisherman's Wharf. It really is one of our iconic destinations and throughout the world, whenever I have visitors coming to the city, they always want to go see Fisherman's Wharf, at least, especially if it's their first time.

I'm pleased to see that people are getting there and that if we can figure out the transportation mix and at least study what's happening there. Although, with efforts that are underway with the Central Subway, I'm hopeful that will make a difference in people's ability to get there not only as a tourist destination for visitors but also for employees that are trying to get there that will hopefully ease up dramatically the difficulties that employees are encountering in trying to get to work. It may not be coming on fast enough for some of us but certainly as it comes aboard, that will make a big difference.

I want to thank you for coming forward today, for sharing with us all of this information. It is a lot and there were definitely a few "Wow" moments as I looked at the figures. Again, thank you for all that you do and to all the businesses that are down there that keep the fabric of the city going so strong.

Troy Campbell - Thank you. Also, I just wanted to share that I left with Monique the full visitors' survey because it has a lot more data than what I presented. I've left copies for you and then also the supporting information about the presentation.

Commissioner Woo Ho - As Commissioner Adams and Katz were talking, I had one other thought and I wanted to ask about the statistics that you presented regarding having more people walking to Fisherman's Wharf. It may be because it's too hard to drive. How much of that impact is from the fact that we are increasing the number of cruise ship passengers stopping in San Francisco? We know that has to be a factor for Fisherman's Wharf as we get more cruise ship passengers. Hopefully, they're spending time before or after they get on the ship. Is there a correlation?

Troy Campbell - We did not ask. We did ask if they were staying in a hotel. We didn't ask if they were coming by cruise ship. One of the theories we had, I hadn't thought of the cruise ship angle. But from 2010 the waterfront has just been more developed. It's more interesting to walk from the Ferry Building to Fisherman's Wharf than it was back in 2006 with the Cruise Ship Terminal, the Exploratorium. I also think that the crowding on the street car might have something to do with it as well but our next survey could or should ask that.

Commissioner Woo Ho - It would be because beneficial as Peter Dailey will probably tell you, we have about 250,000 passengers coming through the cruise terminal and that impacts you one way or the other. Even if not

everybody is going to Fisherman's Wharf but it's certainly going to increase pedestrian traffic one way or the other.

Troy Campbell - Yes. Thank you.

B. Informational update regarding visitors to Pier 39 and Pier 41.

Monique Moyer - Our next speaker is also from the Fisherman's Wharf area. I'd like to introduce Taylor Safford, the President and CEO of Pier 39. He's been President since May of 2012 but he's actually been in Fisherman's Wharf since 1979. What history I could find on Taylor is that he's spent all that time at the Pier.

He came from Connecticut out to San Francisco to play guitar, and found his way to the Pier and got a job working in the Arcade collecting money and then pretty soon he became Controller believe it or not. So from the Arcade where you gamble money, to Controller is a very interesting juxtaposition. Congratulations on making that leap. He was Controlling for the Pier Restaurants Inc. which is a subsidiary of Pier 39. He did that for 11 years. Then he took over as Executive Vice President and CFO of Blue & Gold Fleet from 1996 to 2006 and then became Blue & Gold's President which he did for almost six years before being tapped to be President and CEO of Pier 39.

In all that time, he went to San Francisco State, got his Bachelor's and then his MBA and now is a Board Member of the San Francisco State Foundation so he's given back along the way and what an amazing partner. I have to compliment you that I'm sure there are things that the Port does or says that you don't always agree with. But it's hard to tell from your demeanor. You're always willing to work with us and help us to make it better.

The success that you're having is driving the success that we're having and inspiring us. We point to our Pier 39 partner all the time and we are really proud of it. We thank you and all of your team for your great partnership and we particularly love those little dark chocolate sea lions that I can't have for three more weeks but I'm looking forward to it.

Please welcome Taylor Safford, President and CEO of Pier 39.

Taylor Safford - I began my career at Pier 39 as Monique said 36 years ago and I'm very pleased to be here today to give you an update on how we're doing and where we're headed.

First of all, I'd like to give you a little bit of background about the Pier. Pier 39 was developed by a restaurateur Warren Simmons who while walking the Embarcadero with his wife in the early 1970s came upon an unlocked door to Pier 39 a little used cargo pier. Upon entering the darkened pier, Simmons became excited the idea of relocating one of his Tia Maria restaurants to the location and so the idea for Pier 39 was born.

Undaunted by the failure of major development corporations like Castle & Cooke, Ford Motor Company and Kidder Peabody to navigate the San Francisco's Public Entitlement Process for Waterfront Development, Simmons the entrepreneur was energized by the obstacles that were put in his way and one by one he overcame them. Four long years, \$1.2 million and a few sharp elbows later, Simmons had secured the entitlements to develop the North Point Pier as he was going to call it.

North Point Pier was to be the first public/private partnership on San Francisco since the end of World War II. The project involved demolishing Piers 37 and 41 and using the reclaimed wood from those piers as siding for the new North Point Pier. The project's scope included 22 restaurants, 100 shops, a parking garage and a 350 berth marina. It was constructed at a 1976 budget of \$30 million or \$106 million today.

Shortly after receiving entitlements however, Simmons was contacted by owners of the North Point Shopping Center and forced to rename the project or face a lawsuit for trademark infringement. Fatefully, Simmons renamed the project Pier 39 and the rest is history.

Simmons, an ex-airline pilot and restaurateur had never developed a shopping center before, and consequently made many naive decisions in the creation and construction of his dream. On October 4, 1978, the project opened to large crowds and much fanfare. Lawsuits and Simmons lack of retail experience would eventually force him to sell the complex in 1981 to the Shopping Center Investment Group that holds it today.

Today Pier 39 has 13 full service restaurants, 16 casual food service options, dozens of attractions and 66 retail shops. With few exceptions, all shops, restaurants and attractions on Pier 39 are independently owned and operated by local merchants. We estimate that the merchants at Pier 39 employ 1,500 to 2,000 people every year.

Pier 39 affiliated companies manage the leasing, operations and marketing of the 245,000 square foot shopping center complex and garage. In addition, Pier 39 owns and operates Blue & Gold Fleet, the Bay Area's largest private water transportation company and Tandem Communications, a nationwide corporate sponsorship sales agency. Approximately 500 employees work directly for the combined Pier 39 companies.

Pier 39 annually generates \$16 million in state and local sales taxes, \$4.5 million in rent to the Port, \$2 million in City parking taxes, \$1.5 million in property taxes and \$1 million in City payroll taxes. Three hundred and forty-five of the company's employees work for Blue & Gold Fleet, 87 work for Pier 39's Operations Department and 42 work in the administration. Three hundred and fifty two of our employees belong to a union. We are proud of the long tenure of our work force with 30% of the current employees having worked for the company for 10 or more years.

In 2012 and again in 2014, San Francisco Travel Association identified Pier 39 as the most visited attraction in San Francisco based on the semi-annual visitor research conducted by SFTA. Gross tenant sales at Pier 39 in 2014 were an all time record at \$244 million establishing Pier 39's fourth consecutive annual sales record in a row. At over \$1,000 per square foot in sales, Pier 39 is one of the top performing shopping centers in the nation. The occupancy rate in 2014 was 97% and it is expected to be 94% in 2015.

Pier 39 conducts visitor intercept research every two years, and the most recent research was completed in July, 2014. Interestingly, the place of origin for visitors has remained very consistent over time with each segment roughly being a third of our visitor mix. With the dollar having strengthened against foreign currencies recently, this may change. The percentage of visitors using the Internet has increased significantly over the last five years, particularly the use of mobile devices in trip planning which was 19% last year.

The mode of arrival has varied over time with automobile use ranging between 33% and 50% of visitors. Ninety six percent of customers were either satisfied or very satisfied with their visit to Pier 39. Pier 39 partners with Aquarium of the Bay to operate the Sea Lion Center. Although the Center has been in operation for less than two years, the number of visitors to the Center is strong and continues to grow.

Pier 39 holds dozens of annual events, targeted to both locals and visitors. Starting in January with the annual Sea Lion Anniversary and February with Tulip Mania and ending with Fleet Week in October and Tree Lighting in November, these events bring an additional half million visitors to the waterfront each year.

Pier 39 recognizes the unique asset that we control and manage and our team is committed to keeping the property fresh and interesting for visitors. Based on our research, 50% of guests are first time visitors to Pier 39. The other 50% are repeat visitors with an average of six prior visits. Creating an enticing environment for repeat visitors is a priority for our team.

Pier 39 began its recycling program 20 years ago as a hedge against rising tenant operating expenses and we divert over 300 million pounds of waste from the landfill annually. We've eliminated hand towels in the restrooms, installed energy efficient lighting, encourage recycling by our guests and manage a comprehensive recycling program for our tenants. We are committed to minimizing our impact on the environment, and being good stewards of the important waterfront location that we've been charged with managing.

Tenant redevelopment is a cornerstone of our ongoing strategy. Renovating storefronts, remodeling, remerchandising and rebranding are important elements to keep the visitor experience new and interesting at the pier.

Like all businesses in the city, Pier 39 is affected by the dichotomy that affordability issues and their remedies pose to both our tenants and employees. Many of our tenants are small mom and pop businesses that face the increasing challenge of finding qualified employees. Employees report that boarding the F-Line, our main public transportation source, is difficult during commute hours and this makes it difficult to attract and retain employees.

In addition, traffic is increasingly a concern. Between 30-50% of the Pier's visitors drive to the Wharf for their visit. This ever changing landscape for driving in San Francisco and the lack of understanding of how traffic decisions affect visitors coming to the city creates unnecessary burdens for the 100 retailers at the Pier.

Pier 39 is working with Port and BCDC staff to redevelop the East Park Plaza between Pier 35 and Aquarium of the Bay. Pedestrian traffic patterns have evolved over the last 36 years, along with increased bicycle use on the Embarcadero, raising a need to rethink the plaza's design. At Pier 41, Blue & Gold Fleet's lease for the premises expires soon. However, we've been working with the Port staff for several years on a redevelopment plan for this site.

We're proposing a brand new, world class, maritime terminal for the Northern Waterfront with expanded maritime facilities. The plan includes vastly improved water and view access for the public, a new partnership with On the Bay Alliance to provide educational access on the Bay for local school children, research space for the Romberg Tiburon Center for Environmental Studies and limited ancillary retail.

The new facility will allow us to better serve the water emergency transportation vessels that are operated by Blue & Gold Fleet and use Pier 41 every day as their home port. The new facility will allow for expanded ferry service in the future as both WETA and Blue & Gold Fleet seize new opportunities.

Commissioner Murphy - I should probably know that as I was down there many, many times. Is there a dock there for ferries or water taxis to come in at Pier 39?

Taylor Safford - Yes, actually the water taxi operator is actually a tenant in our marina. So he docks his boat there every day and comes in and drops people off all day long as he's going up and down the waterfront.

Commissioner Murphy - Is the Yet Wah restaurant still on the Pier?

Taylor Safford - No it's not. Well, it hasn't been around for a number of years. We're actually missing the Chinese food style on the Pier. We're actually looking for an appropriate tenant.

Commissioner Murphy - I built that restaurant in 1978.

Commissioner Woo Ho - Thank you Taylor for that presentation. It's good to get updated on what's happening at Pier 39. We can all remember when we first visited Pier 39. It was a major attraction in the 1980s and when it first opened in 1978. I took my children there and they enjoyed it and I've taken visitors there. I haven't been there in a while but it's a great attraction and it's the first thing people think of as far as Fisherman's Wharf is where you recommend people to go.

We're hearing a consistent theme of some of the challenges that you face in terms of employees as well as transportation. I already said it earlier when Troy was up with his presentation, we have to keep pushing forward with the rest of the relevant departments and aids in the City to figure out what we can do on traffic and also to help both the people who work on the waterfront as well as the visitors to the waterfront.

As I said, it'll have to be some out of the box thinking that will get us there unless we think sitting in traffic is going to be the answer in the future. As I reported in one of our Commission meetings that on a Cruise Ship Terminal day when we had two cruise ships, it took over 45 minutes to go from Folsom Street to the Cruise Ship Terminal and it obviously blocked everything going further down to the Wharf.

I'm sure you feel that impact. We have to keep thinking about how you can divert traffic or have better ways to move people or warn people much further up if something's going to be bad that there are other alternatives to get there. I agree with you 100% but I don't know the solutions. I just hope that we can keep putting focus on it.

Taylor Safford - Thank you for your comments. I agree.

Commissioner Adams - Thanks for your presentation Taylor. I also appreciate that you said you're going to have this infrastructure for maritime. I appreciated that you laid out about the loyalty of your staff and the people that work for you. It sounds like you have a very cohesive team and I really like what I'm hearing.

I know Commissioner Woo Ho's worried about congestion, but we'll work through that issue because it's an issue for everybody in the city. All the agencies have to work together to figure out a solution but it'll work itself out. The popularity seems to keep growing. I appreciate your 36 years for just continuing to invest, and clearly you believe in that. I like your passion and vision.

Commissioner Katz - I'll also echo my thanks for all that you do for your presentation today but for all the work that's done to keep Pier 39 so vibrant and lively. It's a double edged sword that it is so crowded and difficult to get

down there. That certainly beats the alternative, so that's a testament to the successes.

As I said earlier, it really is one of those destinations in San Francisco that people come to and think about. As a kid it was a big treat for me to get to come in to Pier 39 and even more so as a teenager when we got to do it by ourselves, but it has always been a fun place. It is another one of those locations that just is emblematic of San Francisco and a destination in and of itself.

I do want to thank you as did Commissioner Adams about your efforts to continue to keep it thriving and growing and relevant and adjusting to new demographics and interests including the sea lions. I remember when they first arrived. I lived not too far up the street and could suddenly start hearing them when the winds were just right. It was always fun and brought a whole new wave of folks to Pier 39. It's exciting to see the partnership that's emerged there, to highlight that. Thank you for all of your efforts and everything that you do.

Monique Moyer - Thank you Taylor. Thank you for doing this on short notice.

11. MARITIME

- A. Request approval of Lease No. L-15875 with BAE Systems San Francisco Ship Repair, Inc., a California corporation for approximately 14.7 acres of land improved with 19 buildings, 17.4 acres of submerged land and Port-owned Equipment, including Drydock #2, the Drydock Eureka and the Shoreside Power System (the "Shipyard") located at Piers 68 and 70 and Seawall Lot 349 near 20th and Illinois Street, for a term of 20 years with two (2) five (5) year extension options (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code). (Resolution No. 15-11)

Peter Dailey, Deputy Director of Maritime – Ricky Tijani and I will be making the presentation. Ricky Tijani has been a stalwart on this project.

One of the strengths of the Port is the wide variety of maritime businesses that we're involved with. We may not be a huge container port like L.A. or Oakland. We are a market leader in commercial ship repair on the West Coast. Our Ship Repair Yard at Pier 70 has been in operation in one way or another since before the Civil War. It's an important maritime industry legacy industry of ours that we're very proud to be involved with.

This item in front of you today will solidify our position as commercial repair center on the West Coast. It will ensure that another generation of San Franciscans can work on the waterfront. I find it interesting listening to the conversations regarding jobs, that people can't afford to live in the city in San

Francisco any more. Well, these jobs at the Shipyard pay enough and provide enough that workers can afford to live in San Francisco.

Last year, with BAE personnel itself, there were almost 500,000 man hours from 10 different maritime trade unions. On top of that there were another close to 500,000 man hours from vendors from throughout the Bay Area and Northern California. On top of that, BAE spent \$10 million on local purchases from companies that have San Francisco in their address.

Obviously it's a huge economic benefit. It's a legacy industry for San Francisco and for the Port. I want to recognize Ricky again, Gerry Roybal our Commercial Manager, Rich Berman in the Real Estate Section, Rona Sandler, City Attorney who's on vacation, the team worked very hard towards putting this package together, which Ricky's going to detail, mimics pretty much what you heard in November. Bill Dunbar, BAE's General Manager, is also here.

Ricky Tijani, Development Project Manager with the Planning and Development Division of the Port - This is an overview of the location of the Shipyard which is in the Southern Waterfront, on the corner of Illinois and the tip end of 20th Street close to Illinois Street.

There is a dash around the exact location of the premises of this lease. Right in that picture is Drydock #2 with a Cruise Ship Dock and then there is the second drydock which is slightly to the left of the cruise ship. My presentation is going to quickly touch on the background regarding BAE as being a partner with over 20 years as the Shipyard. They are a tenant in good standing.

The shipyard is a major infrastructure that provides critical maritime services to the Port and to the city of San Francisco. The ship repair is equally providing support for our cruise terminals. That current lease is expected to expire on December 16, 2017.

As Peter indicated, ship repair has been a major component of Pier 70, is a vital economic interest to the city and the Port, supports cruise ships and allows cruise ships to make commitment to come to San Francisco. The premises include 14.7 acres of land, and 17.4 acres of submerged land and equipment. Those equipment include Drydock Eureka and Drydock #2 which is the main attraction or the main key components of the Shipyard along with the 17 buildings.

Until recently Drydock #2 is considered to be the largest floating drydock in Northern California. It has a capacity of 54,000 tons. Currently, a new drydock in Portland, Oregon is posing a challenge because that drydock has a lifting capacity of 80,000 tons.

The Tenant is in good standing and is providing very relevant services to the maritime industry in the sense that it provides repairs, alterations and

maintenance for the various vessels that come and ply the Bay waters. The tenants as of last year generated \$64 million and provided employment for over 250 craft persons.

The Shipyard currently is facing a number of challenges. We started conversations with BAE about two years ago. In the current lease there is a provision that BAE inform the Port two years before the lease would expire to indicate its interest in extending that lease. Out of that conversation was the discussion of the challenges facing the Shipyard.

The competition from Vigorous, the new Drydock in Portland, as well as the aging of Drydock #2 and one of the solutions to these challenges was requesting BAE, when we do go into the new lease, to look at bringing on a professional company that will evaluate the condition of the drydock and make recommendations as to how it should be maintained and repaired to continue to sustain its lifting capacity. Back in 2007, a similar permit was made through Princess Cruises whereby \$6 million was installed to upgrade the capacity of that drydock.

Before you is a graph showing both the historic and the projected revenue of BAE from operating this shipyard. The lower graph with the triangular shapes is indicating that if some of these mitigation measures are not addressed in terms of approving the capacity of the drydock as well as a combination of marketing that BAE would be doing, that revenue may dip to the point that it will impact the percentage rent that the Port is currently receiving. On the other hand, if we're able to intervene, then the revenue will continue its upward trend.

In our negotiations with BAE, BAE expressed interest in wanting to carry forward some of the beneficial terms of the current lease, set to expire in 2017. Particularly, the agreement between the Port, BAE and Princess Cruises that is still ongoing for another two years. We discussed the existing base rent as well as the percentages, and the need to bring that into the current market condition since this lease was entered into in 2007.

BAE is requesting a lease renewal to continue to operate the ship and to be able to recoup its recent and proposed capital investment. This proposed capital investment is a requirement to allow this shipyard to remain competitive. We are not bidding this lease opportunity for a number of reasons in terms of renewing the lease with BAE. One of those reasons is that there are a small number of commercial shipyards out there, so we thought that there's not enough pool of shipyard operators to compete for this lease opportunity. We equally do not want to entertain the interruption that it will cause in the marketplace in light of a new competition. Then there is the issue of BAE's successful rejuvenation of the Shipyard.

The previous operator had some difficulty when the business dipped because of military closure. When BAE took over, they've been able to rejuvenate the

Shipyards and make it more competitive. BAE and the Port are continuing to have a homegrown agreement with Princess Cruise bringing their cruise ships to the Shipyards for service. Those are the reasons we decided we are recommending that we move forward with BAE.

The existing beneficial terms of the lease include the following. BAE currently have \$1.2 million left in the rent credit that was provided as part of the deal that we have with Princess Cruises. They have been investing additional capital into the Shipyards that they would like to recoup. The remaining two years would not be enough for them to recoup what they've invested in addition to that \$1.2 million rent credit.

In our presentation to the Port Commission in November 2014, BAE indicated that it would like to terminate the lease within five years of entering into it. In that report to the Commission we indicated that we were aiming for BAE to stay between 10 to 12 years. Since the last time we were before the Commission, we spent roughly one month trying to negotiate with BAE to convince them to give us that additional five years so that they are able to stay for a minimum of 10 years on the premises.

The lease currently is for 20 years, however, we are expecting BAE to stay for a minimum of 10 years. Even though the lease says 20 years, because BAE is looking for an opportunity to be able to terminate the lease earlier, we were able to achieve an additional five years. Instead of them staying for five years, we were able to extend it to 10 years.

The proposed term for the new lease is as follows. The lease is for 20 years with two five year extension options. With a 20 year term, which is the basic component of the term, the lease will expire in December 2035. The base rent is now \$1.2 million. Currently, the base rent on that current lease is roughly \$1.5 million so this is an increase of 14% over the currently lease.

There will be no early termination until 2025. We're providing a rent credit of \$4.2 million in rent credit which is capped at \$200,000 a year. The unused portion of the rent credit will expire at the end of the term.

Currently, the lease that will expire in 2017 is just a base rent with no escalation. The new rent is higher by 14% and includes escalation. In addition to escalation, there is going to be a reset at the end of the tenth year into the lease. Other terms of the lease include cost sharing for Central Basin dredging.

We are expecting that the Army Corps of Engineers which is currently going through the grant application are looking for \$10 million in federal grants. The Army Corps will be paid \$7.5 million of that and the \$2.5 million will be coming from the Port. The \$2.5 million will be shared 50/50% with BAE and the Port.

We have equally included a provision for the replacement of Drydock #2. One of the competitive issues for the drydock or the Shipyard was the presence of Drydock #2 with its lifting capacity of 54,000 tons. Now that there is a competitor (Vigorous) in Portland with an 80,000 ton lifting capacity, this issue has become more important to mitigate that may cause BAE revenue to dip.

To keep their competitive edge, we put in the lease that between now and the next two years, both the Port and BAE are going to collaborate a funding mechanism to replace that Drydock if possible with the intention that between when the lease goes into effect and five years into the lease, we will have a solution for the possible replacement of the existing drydock.

We equally addressed the issue of the existing Shoreside Power System. A couple of Commission meetings there was a discussion about the benefit of the Shoreside Power System in terms of reducing pollution and making the air cleaner. In the new lease, from the last time we came here in November, we've made some additional improvements by requiring that BAE would need to increase the utilization of that Shoreside Power System.

The reason they've not been able to use the Shoreside Power System at a utilization rate that we prefer was because the various vessels that come have different hook-up mechanisms. BAE has indicated that they will invest in looking at new connections that will allow more vessels to be able to utilize that Shoreside Power System.

We've equally improved what we presented to you last time, because we're trying to recapture what both the Port and the City invested in Shoreside Power System which was \$5 million. At that time, the projection was that if BAE was able to charge \$0.04 per inch kilowatt hours of power used by the vessels that have berthed at the Shipyard, that that rate will help us recapture that investment. Because the utilization rate is not at the level that it should be, we've asked that that rate be increased to \$0.12 per kilowatt hour.

The next business term that we're recommending in the lease is that no guarantee of utility cap for all utilities. That includes sewer, gas, and other utilities including electrical power. Because as you know, Pier 70 is going through this redevelopment and there is a need to upgrade the existing utility and some of the utilities that are currently there until they are upgraded will have to be equally shared by the tenants, particularly Forest City that is coming in as well as ODI.

Because ODI is beginning to renovate those historic buildings, we need to move out of building one or two the current electrical power source that powers the Shipyard. That power source has a capacity of 12 megawatts. So we've negotiated with BAE that we will be limiting them to their historic peak utilization which is currently at 6.5 megawatts.

With 5.5 of that available of that 6.5 devoted to the Shoreside Power System and the 1 megawatt would be for the rest of the Shipyard. The remaining 4.5 would be allocated to ODI to allow them to continue to ramp up and put those historic buildings into high end better use.

We put in the new lease the baseline required repair and equipment and maintenance. This extends to both the existing buildings which are Port properties as well as the equipment. The equipment are the drydock, the crane, transformers and all the gears that make the Shipyard run. The reason we're putting baseline is that we want to document the existing conditions of those buildings and equipment so that we have a way to monitor the maintenance and repair that we're asking BAE to do.

We ordered a study that was done by our Engineering Department that looked and documented the condition of the 19 buildings at the Shipyard as well as equipment. In the lease we are putting conditions that BAE will need to follow. We divided both the equipment and the buildings into two major categories, those that would need to be addressed right away in terms of repair to address the issue of life, safety to make sure that the buildings are in better conditions and people are protected and those may take a little bit of time to get the repair and maintenance done.

The next set of lease terms is regarding expectations that Commissioner Woo Ho directed us to address.

Monique Moyer - Ricky, these are pretty common so maybe see if the Commissioners have any question on at least on these or the ones that the Commissioners asked you to address.

Ricky Tijani - We made some improvement based on the guidelines you gave us last time, particularly the issue of climate change and the sea level rise. We're providing protection for the Port. We've apprised BAE to update its Master Plan to address sea level rise, and climate change. We want them to be cognizant of those issues and provide provision to address them.

There's the exculpation clause indicating that we disclosed it to you, you cannot sue us. Then there's the issue in the requesting them to put these mitigation measures in their Master Plan that we're requesting them to provide. There's one critical item that just came up which we did not discuss last November and that is before we could extend the lease, 10 years into the lease, if they exercise the option to extend, that they will need to enter into some Flood Mitigation Plan that would indicate how they are addressing sea level rise.

Before entering into that, when they do give us their notice to extend the lease, the Chief Harbor Engineer will undertake a study to determine if there's going to be flood risk. If that risk exists, BAE will be required to submit what we're calling Flood Mitigation Plan. Then we're able to increase the insurance

as Commissioner Murphy indicated last time. We're able to get them to move the umbrella coverage from \$5 million to \$20 million.

It's a very long, complex lease. A lot of people worked on it. David Beaupre was fighting very hard to make sure that BAE addressed those historic buildings.

Bill Dunbar - I'm the General Manager of BAE Systems, San Francisco Ship Repair and Executive Director, I appreciate the opportunity to speak. We have had a long history with the Port of San Francisco through BAE and our legacy companies. My second job out of college was for Southwest Marine when they were at Pier 28, so that's when I started in Ship Repair, quite a while ago.

We just appreciate the opportunity. We have been successful with the Port in our work and growing the repair business here. We have challenges ahead as Ricky mentioned in marketing and in being effective and efficient against our competitors to the North, so we believe that through this lease we can meet the challenges and support both the Port's interest as well as our interest in remaining in a vital part of the maritime interest here.

I also want to say thank you, to the Port staff who worked on this. It has taken quite a while to get this lease together and agreement on it and that is a testament to their work defending and upholding the Port's interest in this as well. Thank you and urge your support of this passage as well.

Armie Morgan, Operating Engineers - We're on board with the approval of the lease for BAE Systems and the Shipyard. They provide a lot of good union work for a lot of hardworking families in the Bay Area.

Someone said earlier, the cost of living is only going up in the Bay Area so we need to maintain these types of jobs. They employ about 65% minorities and that's a positive thing. We're here to support BAE Systems with the Operating Engineers.

Paul Nixon - I'm from CWAG. I've been on CWAG with others for more than 10 years. My position in CWAG was basically to be the representative of human powered boating, or non-motorized small boating. That issue did become a big issue with BAE.

The idea behind this issue was that in Aquatic Park, the Dolphin Club and the South End Club, in the 1870s had established that water was there and could be used for play and work. The people generally that worked at the Port would also swim and boat in the Bay. This went on for many, many years and it was a principle. There have been maybe 14 swimming and boating clubs.

In 1999, then things begin to change and the possibility of using that traditional San Francisco idea and spreading it north and south came up. We

went to Crissy Field and we went south and we got into Mission Creek thanks to Corinne Woods and her work there. We continued until we reached pretty much all the way to Candlestick Park with the Blue Greenway and the initiative that went on there.

Then there came a problem. BAE said, "Well, wait a minute. Do we want recreational boating so close to the drydock?" I want to say that for a period of several years, BAE and the people in the human powered boat, non-motorized boating talked about this issue. We came to an agreement and it was a slow process. There were a lot of questions that I didn't have the answer to. No one had the answers to. We got the answers. David Beaupre was very instrumental in helping with all this.

When this issue comes up to you, it's a non-issue in a way. Because what was going to be a big problem for human powered boating is not. We will be in Crane Cove Park. We have the park bond money to put into Crane Cove Park and Dan Hodapp has worked very well. All these people, I want to thank them all for the work they did and BAE especially for listening and for discussing these issues with us.

Corinne Woods, member of the Central Waterfront Advisory Group - CWAG very much supports moving forward with this BAE lease. We are looking forward to BAE as you've seen on the maps, the reversion areas, all the changes that are going to happen as Pier 70 is developed out. But I wanted to point out something that earlier speakers have said around the Wharf and Pier 39. Traffic and transportation -- we don't have the crowds of Fisherman's Wharf now. But, when 20th Street is built out, when the Forest City waterfront is built out, BAE is going to be really squeezed. Parking's going to go away and we don't have decent transit yet. It is critical that we get your support for the Waterfront Transportation Assessment and for implementation of improved transportation, particularly transit and other non-single occupancy vehicles around that entire waterfront. Because Pier 70's going to be in the same position, I hope, in not too many more years as the Northern Waterfront with congestion and the inability of workers to get to work unless we can improve alternative means.

Commissioner Woo Ho - I want to thank Ricky and all the Port staff for this presentation. It is a complex lease and we appreciate some of the improvements that have been made since the last discussion in November. I appreciate that you listened to the Commission and made modifications.

I would echo what you heard from Corinne in terms of the transportation issues which I guess I've been harping on in previous presentations today to understand, and I'm not sure but I guess it will kind of also be on the shoulders of Forest City as they look at Pier 70.

As we look at everything down there in terms of the ability to have more transit, the ability to have parking but limited parking and also the

infrastructure and density that we're building to make sure that water transport is considered. Whether it's the Shipyard workers or Forest City's Pier 70 development, the infrastructure is being considered in all the development factors so that it'll be easy and won't be an afterthought later that we have to remedy. I hope that this is just a forewarning because you can be armed that way and be more prepared. Hopefully that will be something that we can think about given the history and success of the Northern Waterfront. We hope that we can learn some good lessons as we continue to develop the Southern Waterfront in terms of its industrial uses, it's obviously residential and other commercial uses and hope that it will be a very vibrant neighborhood.

It's going to be a very interesting texture for the City. The Shipyard, even though you may not think of it but it will be iconic for that neighborhood. We hope that it will be something that will be considered a valuable part of the community there.

Commissioner Murphy - Thanks Ricky for your presentation. Thank staff for putting a nice report together. I also appreciate your following up on the suggestions and changes at one of our Commission meetings.

You talked a lot about the power system. Are we still going to use the same power system running through that building? There's an existing building there and it's now like a generator or are we changing that? Are we doing new infrastructure for power?

Ricky Tijani - Yes, the answer could be in twofold. It's what we're doing in the interim, in the time being until we do the public realm improvement. The power will be moved out of building 102. ODI have their own power and Forest City have their own separate power. But in the long-term, or when Forest City does start moving forward, the issue of all the utilities will be addressed including addressing the capacity of electrical power.

Commissioner Murphy - Now I understand. I think it was Commissioner Brandon who asked for improvements on the entrance, and that looks pretty neat. Is that the final sketching to the entrance to that area?

Ricky Tijani - Yes, those are the concept drawings for the proposed improvement that BAE would be undertaking at the appropriate time.

Commissioner Adams - I appreciate the presentation and Doreen, you keep pounding that drum, because you're right. I support this and I would just say this, that probably about a year ago it was in the news that there was some racial discrimination cases down at BAE. It was on Channel 2 and Channel 7 and me and Commissioner Brandon, I think we beat up Director Moyer and Deputy Director Dailey because we wanted some answers how everything was going.

Bill, I know you invited me down there and I owe you a visit. I'm going to come down there. The only thing I just hope is if they were having racial problems or sexual problems, I'm hoping things are cleared up. Workers are workers and I expect everybody down there to be treated with decency and respect. I know, a lot of times people don't want to talk about it, but I didn't know anything about it until I saw it on the news and about the lawsuits. Those are good paying jobs. All citizens of this city want to be able to go down there and work. I haven't heard anything back from Director Moyer or Peter Dailey about it, but I'm going to support this. I hope that those situations are behind us. Commissioner Brandon and I were really disturbed about that. I'm not afraid to speak my mind. Some people like to tread lightly. I don't care. I want to know that people are being treated with respect down there. I don't care what color they are - if they were women or anybody or somebody that was LGBT if they were treated differently. I want to know that everybody down there's getting a fair shake.

Commissioner Katz - Thank you Ricky for a very detailed presentation and staff for the report. I had a couple questions. One, the phrasing of how things will get worked out with the proposal, the change in tenants at Pier 70. I guess one concern I have, and this often comes up in the city is when we have housing and others coming into an area that had formerly been a little bit more industrial.

Under Item 15, the propose Good Neighbor coordination. I appreciate that there'll be coordination there, but it bears noting as there will be this influx of new uses and businesses there that we've had ship repair there from the start. I know Forest City has been taking into account the ship repair efforts and how they are designing their efforts on the site.

I want to make sure that as you talk about working together to develop a Good Neighbor strategy, I do want to highlight that we've had ship repair there first. Unlike some neighborhoods where often many of the industries are then pushed out as the new neighbors come in and they want their quiet neighborhoods.

It may even be something that we work with the developer at Pier 70 to note in the documents that they prepare for buyers, particularly residential buyers or renters of residential units that it is acknowledged that there will be some policies put in place, but that this repair will be going on and that we do have a long-term lease there - a word of caution or advice.

It's the lawyer coming out of me every once in a while. The other question I have is in terms of the efforts to work with BAE for the drydock replacement, does that include us providing any funding on that or just working with them on that? If we're having to put in any funding, will there be a cap on our costs?

Ricky Tijani - All options on the table is an exploration because the drydock currently is Port equipment. It's an option that is on the table that either both

parties will both fund it or BAE if they have the wherewithal to fund it, but the main thing is that we want the drydock to be replaced.

Peter Dailey - Great question. The drydock exists because a floating drydock is there. Without the drydock, you don't have ship repair. The drydock will have a finite life. We're confident it will last throughout the life of the lease. But at some point in time, it's not going to be able to handle the modern ships. The point in the agreement is that we wanted to explore early on options for new drydocks. The Vigor Marine who opened up the new shipyard up in Portland went to China and had one made for \$70 million and they financed it through their own private equity. BAE's a multi-billion dollar company but we got Eureka through a federal appropriations from Speaker Pelosi back in the day. Like Ricky said, we're going to look at all options. The Shipyard also provides a service for maritime administration, and U.S. Navy and other military cargos.

The case could be made, like the Central Basin dredging where we're getting federal funds to maintain the drydock that it's of the national interest to get some appropriation to help us procure a new drydock for Northern California. There's no commitments on either side, but there is a commitment to start looking at seriously who we're going to replicate that drydock going forward.

Commissioner Katz - Is there any cap on our costs?

Peter Dailey - Right now we're not obligated to pay a penny. But we've been pretty good in getting government money and government surplus assets. That would obviously be our first tact is to look to see if we can get free money from the federal government to help maintain this economic benefit to the city. Short of that, there are a lot of creative ideas between BAE and the Port where we can share some sort of investment going forward.

Commissioner Katz - My last question is somewhat combined and maybe a little bit of me will channel Commissioner Brandon since she's not here as well. It's my understanding that she's been briefed on this and is aware of the community benefits package and the beautification efforts and is supportive?

Peter Dailey – Yes. Every indication that she's given us is that she's supportive of the Pier 70 BAE agreement. I have not heard anything from her otherwise.

Commissioner Katz - But she's aware of the beautification efforts being done?

Peter Dailey - I believe so. I don't know specifically about the gate. I thought that was brought up by Commissioner Woo Ho at the November meeting and transitioned from the development to the Shipyard and BAE's done a good job of trying to put together a Master Plan. They have experience with this in San Diego, they have a housing complex across the street from their shipyard and they've done a nice way to blend the Shipyard operation.

But to answer your question, I assume Commissioner Brandon knows. I don't know definitely if she's been briefed specifically on that. If she got the package, the Commission package, she would've seen the renderings.

Monique Moyer - I think she left before the package came out Peter. So I do not believe she's been briefed on this separately.

Commissioner Katz - Along those lines, what will be done in terms of the ongoing monitoring of the Community Benefits Package and the beautification? Is there language in the lease that will allow us to ensure that it is being followed and updated as needed or maintained?

Peter Dailey - Great question and Ricky and I talked about that today.

Ricky Tijani - The concept drawing you see in front of you, BAE is expected to get an improvement in place when Crane Cove Park Construction is either ongoing or is completed because that is what the public will be seeing when they come to the Crane Cove Park and looking at the Shipyard. BAE would be moving forward with that concept plan and hopefully, within the next two years, once the Crane Cove Park construction is underway.

Commissioner Katz – Do we have some monitoring function/capability associated with that?

Peter Dailey – Yes, David Beaupre and CWAG. If I may, there's a lot of issues and follow-up on this lease. There are commitments from BAE to repair some of the historic buildings in a two year timeframe that we have to monitor. We have worked closely with CWAG and to maintain this relationship that was articulated about the human powered craft. There are enough checks and balances in the agreement itself and just in the community itself to maintain. If you'd like, we can come back to the Commission and update you on a regular basis as to how the progress is going forward.

Commissioner Katz - That would be great.

Ricky Tijani - If I may just add, on the lease we have a list of what we call "deliverables." There's a list of tasks that BAE will be completing that we will be monitoring during the term of the lease.

ACTION: Commissioner Woo Ho moved approval; Commissioner Murphy seconded the motion. All of the Commissioners were in favor; Resolution No. 15-11 was adopted.

12. FINANCE & ADMINISTRATION

- A. Request for authorization to award a professional services contract for municipal financial advisory services to Public Financial Management, Inc., for a term of three years with an option to extend for two years, with a not-to-

exceed amount of \$140,000 annually, or \$700,000 for the life of the contract term if the two year extension option is exercised and \$420,000 if the two year extension option is not exercised. (Resolution No. 15-12)

Boris Delepine, Finance and Administration Division - The item before you is authorization to award one contract to Public Financial Management for Municipal Financial Advisory Services. The annual contract amount is \$140,000. The contract term is three years with an option to extend for an additional two years. The five year total on the contract would be \$700,000.

The Port has a strategic objective to plan and implement a stable financial future. To ensure that the best tools and expertise are used in this effort, the Port employs a professional Municipal Financial Advisor with specialized skills not possessed by Port staff. These specialized skills include extensive experience in municipal bond and infrastructure financing district financing issuances, bond sizing and structuring and bond pricing. Our Municipal Financial Advisor also helps Port staff formulate financing strategies and plans and assists in modeling financial impacts related to capital planning and development agreements.

At the conclusion of my presentation on the contract award presentation, Elaine Forbes, the Port's Deputy Director of Finance and Administration will provide additional detail on work and upcoming assignments for this contract. The contract monitoring division set an LBE subcontracting goal in this project of 20%.

The Port's current two year operating budget includes \$140,000 per year for Municipal Financial Advisory services. Any program funding beyond Fiscal Year 2015-'16 is subject to future appropriations. As I mentioned before, the annual not-to-exceed amount is \$140,000. The initial contract term is three years totaling \$420,000. If we extend it to five years, the total will be \$700,000.

In November 2014, the Port Commission authorized staff to procure financial advisory services through an informal solicitation process through a City Controller established pool of prequalified firms. On December 2, 2014 we issued a Request for Proposals. We received four proposals. All of them met the RFPs minimum qualifications. We established a three member panel, a very strong panel that had over 40 years' experience with the city and county of San Francisco in public finance. They met on January 9, 2015 to score the proposals.

The panel overwhelmingly scored PFM as the highest and top-ranked firm. The evaluation panel highlighted PFM's extremely qualified staff which included the city and county San Francisco former budget director under Mayor Feinstein. They also identified some of their work samples as being very strong. They came in with a 30% LBE subcontracting firm and used a

minority-owned firm Backstrom, McCarley, Berry & Company to meet the subcontracting goal.

On January 22, 2015 we issued a Notice of Intent to award the contract. The selected contractor, PFM is a Philadelphia, Pennsylvania firm with a local office here in San Francisco. They have substantial seaport experience and they've worked with the Ports of Los Angeles, Tacoma and Portland. As I mentioned, they committed to a 30% LBE utilization goal.

They currently serve as the Controller's Financial Advisor. They've worked with the San Francisco Airport, the MTA, the PUC and the former Redevelopment Agency. They've also been the Port's financial advisor since 2009.

Elaine Forbes, Deputy Director of Finance and Administration - As Boris laid out, we are retaining a financial advisor. In the past we've always used them heavily for bond sales. While we don't anticipate selling revenue bonds in the near term, we always want to have them on hand should we change our minds and find an investment worthy of new revenue debt.

The Port does have bonding capacity at the moment and has since I've arrived, but it's right up against our capital policy at this time. So we would need to find lucrative near-term cash return projects to issue revenue bonds in the near term.

PFM will be helping us with CFD/IFD structure for the Orton project, Forest City and for the Giants' Seawall Lot 337 projects as those come. We're leaning on our Financial Advisor more in the realm of financial modeling. We've been, and PFM's last contract, we put in place Future Perfect and that helps us move from the cash/budget look to the world to the balance sheet look at the world so we can look at near-term changes of development projects and how that changes bonding capacity, what that means to our capital policies. We can look across various scenarios. You saw in our five year financial model three of those scenarios, a base, a high and a low but it's a tool we're able to utilize to quickly move as projects emerge.

Commissioner Murphy - \$140,000 a year is a pretty small contract. How much time will they be spending on this?

Elaine Forbes - About \$50,000 will go toward the modeling side. I don't think we'll spend the entire capacity of the contract unless we were to issue revenue bonds. While it appears \$140,000 is not a lot of money, we in the past have not exceeded that level. We do a lot of our own financial analysis in house and look to them to sort of train up staff, give us the model, teach us how it works and then we utilize it ourselves and ask them when we have questions relating to changes. While it's a small contract, it's the sizing we need, or less.

Commissioner Murphy – Is the LBE for this project 30% and do they carry those employees in house?

Elaine Forbes – Yes, the LBE is 30%. Backstrom has been the LBE partner of the prior contract. Backstrom helped us quite a bit with the rating agencies and positioning our credit and with our credit presentations to the rating agencies. They also help us with our reporting requirements for our revenue bonds and making sure that all of the disclosures are available on a system called EMMA which we're required to have disclosed and reported timely.

Commissioner Woo Ho - The criteria is 100 points but I guess you add up 100 points from each evaluator because I was wondering how we got to over 100 points.

Boris Delepine - The total is 300 points. There were three evaluators, you can either average the scores or these are the total scores.

Commissioner Woo Ho - That was not as clear. Maybe you want to make that clear next time that it's additive of each evaluator. I thought there was a typo in the beginning.

Sometimes when we award RFPs, we end up selecting someone that we've already use. We may qualitatively describe our relationship with that previous professional firm, but we don't necessarily talk about the utilization factor that we used. Commissioner Murphy asked the question whether we would use up the full contract or not.

You answered that partially, but what I would like to see, and this came up even with our Youth Conservation Corps contract, were the statistics from the previous utilization that you could share with us as relevant to the particular contract that we should review before going forward? In other words, look past, understand what that is and then look forward in terms of the award for the contract particularly if we're looking at the same players on both sides of the equation. I would appreciate it if that would be included in the future.

In the last contract, what was the utilization factor? How much did we end up using them for, in total, from the last contract?

Boris Delepine - The LBE subcontracting goal on the last contract was 20% and it's my understanding that PFM met that goal. I don't know the final amount that they came in but they exceeded the 20% goal.

Commissioner Woo Ho - On the dollar amount, was the last contract very similar in terms of total dollars? Did we utilize them fully?

Boris Delepine - I have the last three years and it ranged from \$30,000 a year to \$136,000 last year. We did not get to the full contract amount. However the amount that went to LBE subcontractors exceeded the 20%.

Commissioner Woo Ho - That's good to know in terms of the track record of what metrics we used in the past and what we could expect out of this. It sounded like from Elaine's answer earlier that we may not again use even up to \$140,000 on an annual basis.

Boris Delepine - Correct.

Commissioner Katz - Following up on Commissioner Woo Ho's question, we didn't do any extraordinary bonding, though, during the last contract that we utilized them during that time period?

Monique Moyer - We did.

Elaine Forbes - We did. There was a whole bond team that came in to supplement the Financial Advisors. We had a separate contract for that larger bond team. But we were very happy with the pricing and with our engagement with the rating agencies. It was a very good team, very good deal.

Commissioner Katz - So they were part of it.

Elaine Forbes - Yes, they were part of it.

Monique Moyer - We were very fortunate that the underwriter we used did a lot of work as well which was encapsulated in the underwriter fee and the financial advisory work for the bond deal went over multiple years. It was spread out.

Commissioner Katz - That was my next question. Can that work be spread out or is it capped at an annual \$140,000 or can they bank it so if we do have them on a project, say over two years, can they do \$280,000 or do they have to bill the \$140,000?

Elaine Forbes - I'm thinking of the question in terms of a budgeting appropriation question. The way the contract works, the answer is yes. If we don't spend anything this year, we could spend twice as much next year. But from the budget side, it's in an annual project that closes to fund balance at the end of the year. We don't have it set up as a separate project account. If we see in the horizon that we're going to do a large bond sale, we may ask that that appropriation be changed and increased but we'd live within the total amount of the contract term.

Commissioner Katz - In terms of the work that they did the last time it was similar that it fell within the approved contract amount as opposed to the annual limit?

Elaine Forbes - Yes it did.

Monique Moyer – I want to point out that while we currently today don't anticipate issuing any bonds at least in the next two years, we know that we have development projects that are going to be looking to do something with the IFD. It's possible that we may need to use our Financial Advisor to look at their proposals.

The way that we use our economic real estate consultants in a consulting role, we may need to use our financial advisor in that role. We've done a little bit of that. That is on the horizon for us. That's part of, if you will, our crystal ball for this contract.

Commissioner Woo Ho - Why did this firm outscore the others by such a huge margin? It's not even close.

Elaine Forbes - You're right. I was surprised at how well they scored relative to the other firms. I think it comes down to the experience they have with other city agencies, with other ports. One of the key scoring criteria was relevant experience. I think they also have a very strong team that they brought in and the written material was stellar. It's a combination of experience and an excellent staff.

Commissioner Woo Ho - If I were the other firms and looked at this, the next time any contract comes up, I would be working very hard to shore up my gaps.

Elaine Forbes - As Boris said, we utilized the Controller's prequalified list. Nadia Sesay, the Director of Public Finance manages that pool. I believe the City has some smaller contracts with the other firms on the pool. I agree, the firms on the pool are getting other City work. PFM does have a very large footprint as Boris mentioned. They're the financial advisors to several of the other enterprise agencies.

Commissioner Adams - Following up on Commissioner Woo Ho's comments, it seems like sometimes the same people always get it. Do we throw everybody a bone or give different people a look or it's just how it comes out, whoever scores high, gets it. We don't want to make it seem like somebody has a lock on something. How does that work?

Elaine Forbes - The rules of competitive procurement are that the highest scorer is recommended to the Commission for the award. We do try to spread the work around and one big way we accomplish that is through Local Business Enterprise subcontracting goals.

The rules of the game are the highest scorer is recommended to the Commission for contract award. That's the fundamentals of a fair and open process and the highest ranked firm wins but this has 30% participation and they're also an excellent firm. It's a minority-owned firm. It's an LBE firm. So the work has been spread in that fashion, 30%.

Monique Moyer - It's interesting because I ran the bond program for a long time. The proposals are all public once you make the award. After today, anybody can come look at them, but no one does. When I was working for a very small FA firm, I wasn't winning so I came in and read the winning proposals and I learned a lot about just how I was putting my proposal together, not necessarily what I was offering.

When I ran the bond program, I offered people to do it all the time, and they still didn't take me up on it. The City system is designed so we don't have discretion. But we do try to offer education and it's surprising how few people take us up on it.

Commissioner Katz - You've had to make that point repeatedly. Maybe eventually people will listen.

Monique Moyer - Still no one has come and asked. It's pretty surprising. It's like admiring someone else's painting or photography. You learn something from it.

Leslie Katz - There's a book out there that's called, "Steal Like an Artist," which is to look at somebody else's work and borrow from it.

Monique Moyer - Well, I wasn't recommending plagiarism but it does teach you how to respond to this City's format.

ACTION: Commissioner Woo Ho moved approval; Commissioner Murphy seconded the motion. All of the Commissioners were in favor; Resolution No. 15-12 was adopted.

13. NEW BUSINESS

Commissioner Adams – It's probably out of the way but can we have a Port Commission meeting at the new Cruise Terminal? If we can, I'm going to go out and rent a Lincoln Town Car and pick up Commissioner Woo Ho, and drive her down there to the Cruise Terminal and Mel Murphy's going to valet the car.

Monique Moyer - That is a big carrot. We will make that happen.

Commissioner Adams - Secondly, I'd like to adjourn the meeting today in memory of the plane crash victims and their families.

14. ADJOURNMENT

ACTION: Commissioner Woo Ho moved approval to adjourn the meeting in memory of the plane crash victims; Commissioner Murphy seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 6:15 p.m.

